

FINANCIAL TIMES

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Still everything left to play for

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Table with exchange rates for various currencies including Sterling, Dollar, and others.

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Kohl charge refused

West German prosecutors turned down a request by the radical Green party...

Afghan POW offer

Afghan guerrilla leaders said yesterday that they would release two Soviet prisoners...

NZ crisis meeting

New Zealand's Labour Party Government, faced with a growing crisis over plans to sell the country's leading bank...

Nova Scotia poll

After months of speculation, Mr John Buchanan, the longest-serving provincial premier in Canada...

Soweto snappings

The conflict-ridden South Africa's biggest black township, Soweto, sacked 3,000 workers...

Rebels enter Sudan

Chad rebels confirmed that 2,000 of its guerrillas had crossed into western Sudan from Libya...

Indian bribery probe

The Indian Government is investigating bribery allegations involving Japan's Sumitomo Corporation...

Operto bus crash

At least 10 people died and 40 were injured when a packed bus carrying building workers crashed on a motorway near Operto, northern Portugal.

QE-2 delayed

Last night's departure of the liner QE-2 from Southampton to New York was postponed until today.

Peru guerrilla clash

Peruvian soldiers killed 14 Shining Path guerrillas in a recent clash and a military sentry in Lima was fatally wounded during a failed rebel attack, officials said.

Pentagon warned

The Congressional Budget Office said that the Pentagon would come under increasing pressure to cut back the size of its armed forces as it attempts to pay for its many expensive weapons systems.

Business Summary

Tokyo SE to launch Sankyo Seiki dealing probe

JAPAN: The Ministry of Finance is to launch the country's first insider trading investigation since the passage in May of a tough new regulatory code.

GHLETT'S razor and consumer products company

which has spent two years fighting the threat of takeover, seemed to have found an ally in the form of a New York investment firm...

COPPER: Copper prices fall through chart support levels

on the LME as the market continued its decline in this trade.

PHILIPS, Dutch-based electronics group

announced a further tightening of control over its North American Philips (NAPAC) subsidiary...

BERNARD ARNAULT, chairman of Financière Agache

is about to reinforce his position in Moët Hennessy-Louis Vuitton (LVMH), champagne, cognac and luxury goods conglomerate...

WESSANEN, Dutch foods processor and distributor

acquired two distributors of health foods products in the US, Gourmet Foods, of St Paul, Minnesota, and Award Foods of Dallas...

GOULD, US computer and electronic products group

saw second-quarter earnings decline with lower results from its electronic systems and higher net interest expenses.

ALBA, consumer electronics group

announced a pre-1989 presence in Continental Europe with the acquisition of 99 per cent of its French distributor, Telemedia SA...

FROVIGO, Canada's second largest food distributor

after the Weston group's Loblaw, is buying 15 northern California supermarkets from Lucky Stores for an undisclosed price estimated to be about US\$30m.

SULZER, Swiss equipment company

is pushing into the US pump market, following its purchase of Bingham International, a large US pump manufacturer.

Commission blocks GC&C bid for Irish Distillers

David Buchan in Brussels and Clair Pearson in London

THE EUROPEAN Commission has intervened in the IR200m (€226m) takeover struggle for Irish Distillers by giving the GC&C Brands consortium of Grand Metropolitan, Allied Lyons, and Guinness two weeks to modify its bid or face a mandatory suspension of all further share-buying in the Irish group.

China's Politburo 'clashes on economic policy'

By Our Foreign Staff

SERIOUS disagreement over China's economic policy has emerged at the annual meeting of the Politburo, according to reports reaching Peking.

Iraq 'made use of mustard gas against Iran'

By Andrew Gowers, Middle East Editor, in New York

THE UN yesterday unveiled strong evidence that Iraq has recently stepped up its use of chemical bombs containing mustard gas and other substances against Iranian forces in defiance of repeated Security Council resolutions.

Jordan 'must take role in West Bank'

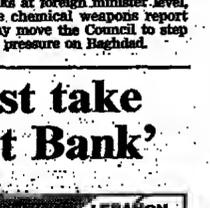
By Andrew Gowers in New York

US OFFICIALS yesterday warned King Hussein's relinquishment of Jordan's responsibility for the Israeli-occupied West Bank...

Argentina shuts banks on eve of economic package

By Gary Mead in Buenos Aires

ARGENTINA'S banks were shut yesterday as the Government prepared today's announcement of a new economic package aimed at bolstering foreign confidence in the country's faltering economy.



Soviet trade imbalance with partners strains Comecon

SERIOUS strains are surfacing in Comecon, the Soviet-led trading bloc, over Moscow's growing trade imbalance with its partners.

Soviet trade imbalance with partners strains Comecon

Attempts by the East Europeans to obtain larger amounts of oil and gas have been rejected by Moscow.

Thatcher's criticisms of united Europe stall moves for change

Mrs Thatcher's recent remarks on a united Europe have underlined her view on the limitations of this policy.

Foreign affairs: Why Helmut Kohl has taken a warmer view of Mr Gorbachev's efforts

Chancellor Kohl has taken a warmer view of Mr Gorbachev's efforts to boost EU exports.

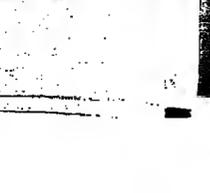
Technology: Computerised box-office system is just the ticket

House of Fraser's Embarasment in store for UK Government.

Insurance: Unprecedented battle of La Suisse suitors

Europe's options: 18 Observer, 19 Financial Futures, 20 World Bids, 21 Int'l Capital Markets, 22 Letters, 23 Currencies, 24 World Trade, 25 Eurobonds, 26 Money Markets, 27 World Index.

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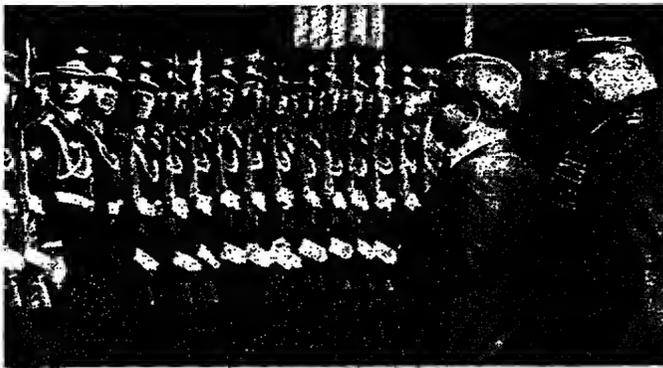
IT'S BEEN WORKING FOR CENTURIES.

Handwritten signature 'J.P. Col 1580' at the bottom of the page.

EUROPEAN NEWS

Carlucci urges Soviet defence policy switch

By John Lloyd in Moscow THE United States would welcome "constructive change" in Soviet defence policy "when we see it manifested in concrete terms," Mr Frank Carlucci, the US Defence Secretary, told Soviet general staff officers yesterday.



Mr Carlucci inspects troops with Gen Yezov on his arrival at Moscow.

Soviet Union in diplomatic tie with Qatar

THE Gulf state of Qatar and the Soviet Union established diplomatic ties yesterday, the official Qatari News Agency (QNA) said. Relations between the two states were expected to boost friendship and co-operation.

Athens-Belgrade irrigation row

GREECE has protested over Yugoslavia's alleged refusal to supply water needed for the irrigation of its drought-stricken northern plains, the government spokesman said yesterday. AP reports from Athens.

Hungary lifts kitchen equipment prices

THE PRICE of kitchen equipment such as refrigerators and ovens went up yesterday by between 4 per cent and 12 per cent, the official Hungarian news agency MTI said, AP reports from Budapest.

Italians respect their new speed laws

By John Wyles in Rome ITALIANS LARGELY completed their annual motorised holiday migration last night having magnificently justified a road safety "experiment" which critics had affirmed would be much more widely honoured in the breach than in the observance.

W German ship's radioactive cargo

A West German ship cruising the Black Sea in search of a port is carrying slightly radioactive building rubble taken on board in Vienna in May, the Austrian Foreign Ministry said, Reuter reports from Vienna.

Reform opposed

Most people in Yugoslavia oppose the government's economic reforms to free markets, the official news agency Tanjug said, Reuter reports from Belgrade. They also oppose the Government's austerity program aimed at slowing the 189 per cent inflation rate.

More Jews leave

Jewish emigration from the Soviet Union continued to increase in July but departures of Soviet Armenians fell, the Intergovernmental Committee on Migration (ICM) said, Reuter reports from Geneva.

East bloc exercises

Up to 14,500 Soviet and East German troops will hold joint exercises for six days in East Germany next week, the official ADN news agency said, Reuter reports from east Berlin. The two forces finished similar manoeuvres last week.

Le Pen call puts French political right on the spot

By Paul Bette in Paris THE FRENCH National Front leader, Mr Jean-Marie Le Pen, has taken advantage of the summer political lull in France to jump back into the limelight and embarrass once again the traditional parties of the right.

Church-state dispute over schools flares in Malta

By Godfrey Grima in Valletta MALTA'S Roman Catholic church, whose schools educate a third of the island's pupils, has expressed serious reservations about legislation on education which was enacted last week by the National Democratic Government of Mr Eddie Fenech Adami.

Kohl learns to relax in the warm breeze now blowing from Moscow

David Marsh begins a series by FT correspondents on the relationship between West Germany and the countries of Eastern Europe

MR Helmut Kohl, the West German Chancellor, has decided to give Mr Mikhail Gorbachev the benefit of the doubt. The change of emphasis during an intense phase of preparations for the Chancellor's visit to Moscow in October marks the resurfacing of a traditional West German strategy of budding political rapprochement with Russia on the back of economic and trade ties.

Bonn two weeks ago he threw his weight behind West German economic help for the Soviet Union as a means of contributing to an "irreversible" improvement in East-West relations. Both Bonn and Moscow want to breathe new life into bilateral trade which has fallen the last few years.

HOW HELMUT KOHL has taken a warmer view of Mikhail Gorbachev's reform efforts: "I am going (to the Soviet Union in October) with the intention of resuming the times of constructive co-operation in the long history of both peoples... and of contributing to making irreversible the present favourable trends between East and West."

Kohl has been grateful lately to accept Mr Gorbachev's formula indicating that the future of the two German states will be a matter for the next century to decide. One of the most important sources of West German public support for bridge-building with the East bloc centres on popular concern over the environment.

Moscow for business have no shortage of peddlers. It is a remarkable feature of its industrial continuity that most of the top 10 or 20 present-day companies - the likes of Daimler-Benz, Siemens, BASF, Bayer, Hoechst and Thyssen - were already doing business in electrical and mechanical engineering, chemicals and vehicles with Russia at the end of the last century.

Moscow to press for European summit on conventional weapons

By John Lloyd in Moscow THE Soviet Union intends to pursue a plan, first floated by Mikhail Gorbachev on July 11 during a visit to Poland, for an all-European summit on conventional weapons, Soviet commentators said yesterday.

sign Minister, was preparing the way for a visit by Mr Helmut Kohl, the Chancellor, in October. Mr Genscher said after his meetings with Soviet leaders that he was convinced the Soviet Union had no interest in splitting the Nato allies into European and North American blocs.

official was later quoted as saying that "we think this would be an ideal way to clear the ground for conventional negotiations and give them a political impulse." Greater co-operation between West Germany and the Soviet Union on space and aircraft technology was forecast by Mr Erich Riedel, State Secretary of the West German Economic Ministry, in an interview with the Tass news agency yesterday.

Mr Riedel, who led a delegation of West German executives on a visit to the Zaporozhye aircraft plant, said that he expected working groups soon to specify joint projects. He said that co-operation in both of these spheres would be that of "equal partners" in terms of technological advance.

destroyed the first nuclear missiles to be liquidated under the Intermediate Nuclear Forces (INF) treaty with the United States, Reuter reports. Four shorter-range SS-12s, known in Soviet military terminology as OTR-32s, were blown up in an elaborate ceremony watched by an official inspection team from the United States, other foreign observers and some journalists.

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OVERSEAS NEWS

Angola-Namibia talks prompt cautious optimism

By Michael Holman in Geneva

THERE are two views about prospects for the talks on Angola and Namibia (South West Africa) which resume in Geneva today.

The optimistic - almost euphoric - assessment came last week from Mr Fidel Castro, the Cuban leader, who has committed nearly 50,000 of his troops to the battle between Angola and South Africa. "We are really on the threshold of a political solution," he declared. President Eduardo dos Santos seems equally encouraged: "We have never been as close to a negotiated solution as now."

From South Africa comes a markedly more cautious sentiment. "We are still at the foot of the mountain," said Mr Fik Botha, the Foreign Minister. "The road ahead is steep, full of potholes and dangerous curves."

All were speaking shortly after the three governments had announced their acceptance of a 14-point outline of the principles for what was called "a peaceful settlement in south-western Africa," drawn up during talks in New York chaired by Dr Chester Crocker, US assistant secretary of state.

Most observers incline to Mr Botha's judgment. The two main principles of a settlement have, after all, been in place for some time: UN resolution 435, which provides for internationally supervised elections for Namibia, and Angola's acceptance of US and South African demands

that implementation of the resolution be linked to a withdrawal from Angola of Cuban forces.

Optimists, however, note two further points which emerged from the New York session which suggest that both Angola and South Africa have made important concessions. One says that the governments agree "not to allow their territory to be used for acts of war... against other states."

This suggests that Angola may be prepared to sign a non-aggression pact which would end its military support to the African National Congress, including guerrilla training.

If correct, it is a very tempting inducement for President Botha. For its part, South Africa appears to have accepted an even greater role for the UN - something it has been trying to avoid. The relevant principle gives the permanent members of the Security Council a role "as guarantors for the implementation of agreements that may be estab-

lished". Taken with the factors which have brought the parties this far - a stalemate in the war between Angola and South Africa, and what Dr Crocker calls "a convergence of interests with the Soviet Union" - it might suggest that a breakthrough is in sight.

But the sceptics need evidence that a wide gap is being closed, between South Africa's insistence that the Cuban withdrawal take place over a year, and Angola's suggestion that it take three to four years.

Bridging this gap is the most difficult task before the Geneva negotiators. Should it be resolved, the other items on the Geneva agenda - agreeing on how troop withdrawals can be verified, the process of disengagement and ceasefire, and treaties reflecting the 14 principles - present less formidable obstacles.

But until the vital timetable for a Cuban departure is settled, it may be premature to share Fidel Castro's optimism.

Basra business prepares for peace

Barbara Slavin reports from an Iraqi city at the Gulf war's centre

THE BIG guns began booming at sunset, flashes of light from their muzzles blinking bright on the horizon beyond the palm-fringed Shatt al Arab waterway. But the people of this war-weary city hardly seemed to take notice.

"It's a white light which means Iraqi artillery," explained a local shopowner nonchalantly. "Yellow light is Iranian."

The shopowner, who like most people in this politically repressed country asked that his name not be mentioned, has had plenty of time to learn such fine distinctions.

For four long years, his city was the great objective of Iran, the Shia Moslem domino whose fall was to set the fragile Sunni sheikdom to the south toppling.

More than 1,000 of its citizens died in shelling last year alone when Iran launched its most concerted "final offensive" whose failure turned out to be the turning point of the war.

So it was in Basra that relief and cautious optimism were most openly expressed in Iraq, after Iran at last accepted a United Nations call for a ceasefire.

"Everybody was very happy," to hear the Iranian announcement, said the owner of a hotel in the city named after its opening five years ago, Dar es-Salam, the "House of Peace."

Residents of Basra, before the war Iraq's second largest city and major port, started trickling back in April after Iraqi forces scored their first major land victory since 1982, recapturing the Faw peninsula at the southern tip of the country.

The trickle broadened last month after the Iraqis finally pushed out the last Iranians from a man-made barrier called Fishlake and the Jasim River, only six miles away.

AFGHAN guerrilla leaders said yesterday that they would release two Soviet POWs to war as a gesture of goodwill, Renter reports from Islamabad.

The announcement came as a Western diplomat reported a big offensive against the rebels under way near Kabul.

A seven-party guerrilla alliance based in Pakistan said the prisoners would be handed over to Soviet authorities through the International Committee of the Red Cross.

The alliance chairman, Syed Ahmad-Gailani, said the guerrilla groups were also ready to "take measures to stop attacking Soviet troops while withdrawing, provided they stop military involvement in backing the Kabul regime".

But news of the guerrilla offer coincided with reports from Kabul of fierce fighting west of the city following a big Soviet and Afghan government offensive against the rebels.

A Western diplomat said the attack against rebels about 12 miles from Kabul began three days ago and fighting was apparently still raging.

The rebels were grouped around the garrison town of Paghman, he said. The offensive began after days of heavy artillery and aerial bombardment of the Paghman area.

The Afghan guerrillas have not identified the two Soviet prisoners, or indicated where they are being held captive, or where they will be handed over to the Red Cross.

But Mr Gailani said they were being returned to the Soviet Union in full conformity with their wishes.



Perhaps 50,000 of the 200,000 families that fled Basra in 1987 have now returned, said the shopowner.

"Too much people," said the hotel owner, whose battered establishment, its blown-out front windows still covered by cinder blocks and sandbags, was almost full.

Not far away, on Ashar Street in the centre of town, young boys were fishing in a field canal that flows from the Shatt al Arab.

In the city's labyrinthine market, still with 100-year-old houses, some of whose carved wooden balconies miraculously survived the shelling, every shop was open and the narrow streets were crowded despite the scorching 45°C late afternoon heat. Soldiers on leave from the front and local residents queued for fruit juices and sugared tea, gobbled grilled kebabs, got haircuts, went to martial arts movies with inspiring titles such as "Enter the Invincible Hero."

The beer halls and seedy nightclubs were also full of soldiers and Kuwaitis, who had left their country next door for a long Muslim holiday week-end to savour the liquor and loose living forbidden at home.

Basra, the legendary home of Sinbad the Sailor, has always had a free-wheeling reputation

and has kept a more open atmosphere despite the war and the dictatorship of Mr Saddam Hussein, the current Iraqi strongman.

Fought over frequently in its 1,200 year history, it is located on the Shatt al Arab, the "River of the Arabs," a 220km estuary that flows from the confluence of the Tigris and Euphrates Rivers to the Gulf and that marks the historic dividing line between Arab and Persian empires.

A cultural crossroads, Basra has produced some of the Arab world's greatest artists and poets. Their shrines and statues fill the dusty squares along with decapitated palm trees and giant posters of the moustachioed President Hussein.

The posters, the product of a personality cult second only to that of North Korea's leadership, were the only items in town this week that seem to have been completely renewed.

Elsewhere, evidence of the shelling was still overwhelming. On every street, giant holes punctured masonry, piles of twisted metal and concrete marked the spots where houses once stood, shell craters scarred streets and pavements and smelly green pools bubbled up from broken sewers.

Windows were shattered everywhere, even at the local headquarters of the ruling Baath Party and the "Museum of the Martyrs of the Persian Aggressive Shelling" opened when the bombardments started in 1984. The luxury Sheraton Hotel along the Shatt was still closed, its huge arched front glass door smashed and its entrance blocked by barbed wire.

Sandbags were piled high throughout the city and property owners said they would have to wait before removing them, until they were more confident that there would be real peace.

The worst shelling took place, they said, from January to April of this year, during the last bloody spasm of the "war of the cities."

"Two hundred shells fell every hour," said the shopowner, drinking a soda at the Badr casino, a cafe along the Shatt that stayed open throughout the war.

In the murky water below, barbed wire and sharp metal sticks remained as obstacles to the Iranian advance that never made it. Sandbag pillboxes alternated with palm trees along the bank, still ready for the city's last defence.

The innkeeper and the owners of the shop and hotel were among a tough minority who never left Basra even in January 1987, when the Iranians were at the gates and the shells were falling like raindrops.

"The leaders of Iran made a big mistake when they tried to take Basra by force," said the shopowner. Even though the people of Basra are primarily adherents of the Shia sect of Islam that predominates in Iran, they "love their country, their own soil," he said.

"Basra people are not like other people," the shopowner said. "Basra people are very brave."

Hopes for Kampuchea peace formula

By Peter Ellingsen in Peking

CHINA seems cautiously optimistic that Sino-Soviet talks scheduled for Peking this month may provide the beginning of a formula for resolving the future of Kampuchea.

Sources in Peking said the withdrawal of Soviet troops from Afghanistan and the recent thaw in Sino-Soviet relations were signs that Moscow was willing to negotiate over the 10-year Kampuchean impasse. But, they warned, an early solution was unlikely.

China was prepared to wait to achieve its objective of seeing all Vietnamese troops withdrawn from Kampuchea under international supervision.

It was also expected to insist that the Khmer Rouge, the group which killed hundreds of thousands of people during its rule of Kampuchea from 1975 to 1978, play a part in any new government.

The Soviet Union and Vietnam fear the 40,000-strong group would dominate any new administration.

China will offer political asylum to former Kampuchean leader Pol Pot, who is in a Peking hospital for unspecified medical treatment, a magazine about Chinese affairs has said, AP reports from Hong Kong.

The August edition of the Chinese-language Cheng Ming magazine, seen yesterday in Hong Kong, also said that Peking authorities were not letting Pol Pot leave the country. It did not elaborate.

Under Pol Pot's Khmer Rouge regime that ruled Kampuchea from 1975-78, hundreds of thousands died in camps and execution chambers. The Government attempted to restructure the country into a primitive agrarian society.

NZ Government split over plan to sell bank

NEW ZEALAND'S Labour Party Government, faced with a growing crisis over plans to sell the country's leading bank, said on Monday it was calling a special meeting of its MPs to discuss the issue, Renter reports from Wellington.

Prime Minister David Lange said the party caucus would meet on Thursday, a week ahead of schedule.

The move follows a decision by a backbencher, Mr Jim Anderton, to abstain from voting on legislation permitting the sale of the state's 85 per cent stake in Bank of New Zealand as well as the Post Office Savings Bank.

The two profitable institutions are sacred to party-leftists, especially BNZ, which was nationalised by another Labour government in 1945.

Mr Lange said the meeting would discuss Mr Anderton's moves to "distance himself

from caucus decisions."

Mr Anderton said he would abstain, but not join the Opposition, in the vote on the sales announced by Finance Minister Roger Douglas in his budget last Thursday.

Mr Douglas said the banks would be sold in order to achieve a NZ\$2.2bn (\$867m) surplus to go towards repaying domestic and foreign debts totalling NZ\$39bn.

The protests do not affect the Government's 17-vote majority but open a public rift between economic reformists, led by Mr Douglas, and party traditionalists.

Seven more leftist Labour members briefly left Parliament when the legislation was introduced on Friday.

Mr Douglas has rejected claims by some commentators that the market-oriented Government is destroying the Labour Party.

Two Soviet POWs to be freed

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Tokyo loan for Indonesia

By John Murray Brown in Jakarta

INDONESIA has won a big concession from Japan, its main bilateral donor, in its bid to reduce the yen portion of its debt. Part of a new loan agreed in Tokyo last week is to be extended in US dollars.

Japanese officials in Jakarta said it was the first time the Exim Bank had agreed to lend in currencies other than yen, and followed strong requests from Indonesia.

Over 30 per cent of Indonesia's estimated \$40bn foreign debt is denominated in yen, which has appreciated sharply since late 1985 against other major currencies.

The World Bank estimates that around 40 per cent of Indonesia's gross exports in 1988 will be absorbed in servicing the debt.

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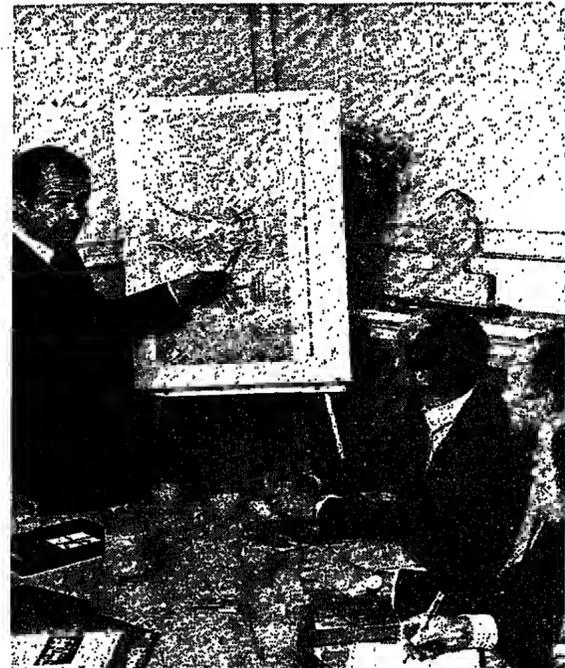
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Left: This is the new team at Edward Erdman in one of the Cornhill meeting rooms.

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Consult them for fast expert advice. Whether it's finding or letting offices - or for guidance on investment, development or retail. (Their professional side will also deal with rent reviews, valuations and rating.)



A Company with a bright and entrepreneurial outlook.

Above: At Edward Erdman there's little time to gaze out of the window. But when we do, here's the view.

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Barclays Bank PLC announces that on and after 1st August 1988, Barclays Home Mortgage Rate will be increased from 11.1% to

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per annum



AMERICAN NEWS

Congress views shift on aid for Contras

By Nancy Dunne in Washington

CONGRESS is again faced with the politically explosive issue of aid for the Contra rebels of Nicaragua...

backing the Contras. At the weekend, President Reagan called for a renewal of military aid to the Contras...

Meanwhile, Mr. George Shultz, the US Secretary of State, has arrived in Guatemala on the first leg of an 11-day Latin American trip...



Shultz: Guatemala talks

White House seeks compromise on arms sale to Kuwait

By Nancy Dunne

THE Reagan Administration is discussing a \$1.8bn arms sale deal for Kuwait with members of Congress and Jewish groups...

argued that if Congress fails to agree to the sale, the Kuwaitis, like the Saudis, will take their business elsewhere.

Mexico's 'loser' holds all the political cards

David Gardner reports that the opposition has continued to grow in strength

NEARLY three weeks after Mr Carlos Salinas de Gortari, candidate of the ruling party, the Revolutionary Party (PRI) regime, was declared the victor of Mexico's bitterly contested presidential elections...

cannot be discounted. Since he started his drive to overturn the election with a referendum on the 1st of October...

The coming weeks are also cluttered with emotive anniversaries around which the Cardenistas can rally: October 2, the 20th anniversary of the army massacre which ended the 1968 student rebellion...

on the eve of the elections, and last week a Mexico City stock brokerage was blown up. By far the regime's best option appears to be to ignore the opposition but not its message...

Nova Scotia to hold election in September

By David Owen in Toronto

AFTER months of speculation, Mr John Buchanan, the long-serving provincial premier in Canada, has said that voters in the east coast province of Nova Scotia will go to the polls on September 6.

Mr Buchanan, 57, was thought to have been deterred from calling an election late last year by the result of a similar contest in neighbouring New Brunswick.

Ecuador debt warning

By David Owen in Quito

ECUADOR cannot afford to service debt owed to foreign commercial banks, a senior adviser to President-elect Rodrigo Borge said yesterday.

to reopen debt negotiations. On July 8, Mr Eduardo Cabezas, Finance Minister in the Conservative Cabinet of Mr Leon Febres Cordero...

Guatemala 'close to IMF deal'

GUATEMALA is about to finalise negotiations with the International Monetary Fund for a standby loan and complementary financing amounting to \$1.2bn.

The vice-president of the Bank of Guatemala, Mr Luis Aguilar, said that the official targets of 4 per cent real growth and a fiscal deficit of under 3 per cent of Gross Domestic Product for this year had received the stamp of approval from the technical mission of the IMF which visited Guatemala in July.

US construction spending up 0.1%: US construction spending in June rose 0.1 per cent in seasonally adjusted \$40.4bn annual rate.

TECHNICIANS yesterday finished a crucial rehearsal for the launch of the space shuttle Discovery in spite of technical troubles that officials said might delay its launch.

WORLD TRADE NEWS

Ford, Yamaha in engine link for US car

By Ian Rodger in Tokyo and John Griffiths in London

THE first collaborative project between Ford of the US and Yamaha Motor, the Japanese motor cycle and engine group, will reach the market later this month in the form of a high-performance version of the Taurus.

ECGD may restore Brazil cover soon

By Peter Montagnon, World Trade Editor

MEDIUM-TERM UK export credit cover for Brazil could be restored as early as September or October, following Brazil's \$5bn (\$2.2bn) Paris Club debt rescheduling agreement with official creditors reached at the weekend.

UK exporters eye southern opportunities

Peter Montagnon reports that EC regional aid grants could boost project business

BRITISH civil engineering companies are coming under pressure from the Government to take advantage of growing export opportunities in southern Europe which officials believe will be created by the substantial increase in European Community aid grants in the run up to 1992.

Mr Christian Adams, newly-installed head of the projects and export policy division of the Department of Trade and Industry which oversees major foreign project business, says that DTI estimates the flow of public works orders that will come from the increase in EC grant money will exceed the capacity of local industries in the countries concerned.

The EC Commission has announced plans to double regional aid spending through its structural funds to ECU14.4bn (£9.36bn) by 1993

How will local industries react? How can British companies, whose experience has been largely confined to residential development projects in Spain and Portugal, compete with local companies who know the ways of government buyers?

one knows yet exactly how the EC grant money will be spent. If there is a series of small projects, the local industry in the countries concerned could probably cope better.

relative general points are beginning to emerge. One is that Portugal could be the country with the greatest opportunities. Elsewhere local industry is quite firmly entrenched.

Japan to hold more talks on Korea textile imports

By Our World Trade Staff

JAPANESE and South Korean officials are to hold further talks shortly on the flood of Korean textiles exports to Japan, amid signs that voluntary curbs imposed from July have not fully reassured Japanese officials.

Eximbank reopens loan programme for Brasilia

By Nancy Dunne in Washington

THE US Export-Import Bank and its agent the Foreign Credit Insurance Association, yesterday announced that they had reopened their programme for medium and long-term financial support of US exports to Brazil.

Denmark bus groups in 'flag transfer' move

By Nancy Dunne in Washington

DENMARK may soon be forced to modify one of its high indirect tax levels to prevent a loss of jobs and business to European competitors, Hilary Barnes reports from Copenhagen.

Tokyo to ease trade insurance regulations

By Our World Trade Staff

JAPAN'S Ministry of International Trade and Industry plans to ease restrictions on trade insurance in order to encourage Japanese private firms to invest in developing countries, ministry officials said, Reuters reports from Tokyo.

Colombo buys US wheat

By Our World Trade Staff

SRI LANKA has purchased \$8.254 tonnes of US wheat grain at \$21 less than the prevailing market price of \$165 a tonne, Reuters reports from Colombo.

Saudi deal for Finns

By Our World Trade Staff

Finland's Kone Corporation and its West German joint venture company O&K Rolltreppe will supply a complete passenger transportation system for the King Fahd Airport, Dammam, Saudi Arabia, Olli Virtanen reports from Helsinki.

Colombo buys US wheat

By Our World Trade Staff

SRI LANKA has purchased \$8.254 tonnes of US wheat grain at \$21 less than the prevailing market price of \$165 a tonne, Reuters reports from Colombo.

Until very recently, only those in the upper echelons of the social register ever inherited anything of any real worth. As the heirs of "well-to-do" families they knew what was coming to them, just as they knew what was expected of them.

This wealthy and worldly minority (perhaps 10% of the population) is now about to be superseded by a new, larger and more volatile band of inheritors: today's middle-aged, middle classes.

It is they who are set to become the "nouveau riche" of the 90's and beyond. And they will, in a very real sense, owe it all to their parents.

For it was the post-war generation who first enjoyed widespread home ownership. Now retiring in their millions, they will soon be conferring their wealth upon their already affluent 40 and 50 year old children.

A portentous event when one considers that even a modest estate can now be expected to top the £100,000 mark.

In fact, estimates predict that by 1997, parents passing away will pass on a staggering £24 billion a year. (240% up on current levels.)

Undeniably, the impact of this quiet, yet colossal transfer of wealth will be immense. It will affect



OVER THE NEXT 10 YEARS, MILLIONS OF PEOPLE WILL BE CONFRONTED WITH A UNIQUE PROBLEM.

companies big and small, old and new, progressive and old-fashioned alike. It will doubtless affect you and your company. After all, millions of dutiful sons and daughters will be presented with dauntingly large legacies.

But will they spend, spend, spend? Or will they use their vast discretionary wealth with discretion?

Will they, as some pundits predict, fritter their money away on the likes of fritto misto di pesce and moules à la crème; German fitted kitchens; Milanese designer furniture; winter holidays in St Lucia and summer jaunts to gîtes in the Camargue?

Or will they, as rival experts would have us believe, plough their considerable capital into the City's money markets?

As it is, 1 in 5 adults now hold stocks and shares of one sort or another. 1 in 3 have taken out their own private pension plan. 1 in 10 have decided to invest in private health care. These figures could advance dramatically given sufficient nouveaux inheritors with sufficient financial perspicacity. No area of finance would remain untouched.

Private education, for example, could become a realistic and popular option for legions of middle class families overnight.

Whilst an ever-decreasing retirement age and a less munificent welfare state could bring pension and private health care planning to the front of millions of minds.

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UK NEWS

Consumer boom is about to fade, says forecasting group

By Ralph Atkins, Economics Staff

BRITAIN'S long-running consumer spending boom will have faded by the end of the year, according to latest forecasts by Staniland Hall, the business forecasting group.

Consumer spending will grow by just 1.4 per cent in real terms in 1988, compared with 4.7 per cent in 1987, the report predicts.

It warns: "We do not expect boom conditions to return during the next five years."

Any slowdown would follow three years of exceptional growth in the consumer sector. Spending increased by 5.2 per cent in 1987 and 6.0 per cent in 1986 at constant prices.

The report says the tax cuts in the Budget will sustain strong spending growth during the summer. However, by autumn the effects of a restriction in the general economic situation could become apparent - particularly higher interest rates and rising inflation.

For the five years to 1993, Staniland Hall forecasts a real annual growth rate of constant prices of about 2 per cent or below.

The latest index of consumer confidence included in the report shows a rise in the three months April to June. This follows a dip in confidence in the previous six months.

However, the index, which is based on a Gallup survey of 1,000 households, probably does not take fully into account the impact of recent rises in mortgage rates.

Responses to individual questions also suggest a change in attitudes. Worries about inflation have increased, while there is greater confidence about the general economic situation and prospects for unemployment.

Forty-seven per cent of the respondents said they felt the economic situation had improved in the past 12 months, compared with just 35 per cent at the beginning of the year. A higher proportion of respondents expected a drop in unemployment than at any time since the survey began in 1974.

Looking at the composition of spending, the report predicts that our sales will decline in the autumn and in 1989. Spending on white goods, such as cookers, and brown goods, like audio equipment, is expected to continue growing in real terms but at a slower rate than in recent years.

Interest rates could rise above 11 per cent in the next two months before falling by the end of the year, says National Westminster Bank in a report published today.

Mr David Kern, the Bank's chief economist, forecasts that base rates will peak at about 11 to 11.5 per cent, compared with the present 10.5 per cent. He says that if the rate of growth of bank and building society lending does not slow down, a big rise in the cost of borrowing will be needed.

However, consumers are expected to reduce spending growth to a higher proportion of their incomes, making such action unnecessary. Base rates are forecast to fall to 9.5 per cent by the end of this year and to remain at that level throughout 1989.

Natwest predicts that retail price inflation will peak at just above 6 per cent at the beginning of next year, partly reflecting recent increases in mortgage rates.

Britain's current account deficit is expected to total £9.5bn this year and £6bn in 1989. Overall economic growth rate of 0.5 per cent and 0.5 per cent are forecast for this year and next respectively.

The pound is expected to remain resilient in the near future, sustained by higher interest rates. Later this year and in 1989 the large current account deficit and rising inflation mean sterling will ease against the D-Mark and the yen.

"Consumer spending forecasts, Staniland Hall Associates, P.O. Box 646, Alderbury House, Upton Park, Slough, SL1 3JZ. £100 single issue, £335 a year.

Motorola secures Cellnet mobile network order

By Hugo Dixon

CELLNET, one of Britain's two mobile phone operators, has chosen Motorola, the US electronics company, as the initial supplier of infrastructure for its new pan-European digital network. Cellnet plans to spend more than \$400m on such equipment over the next five years.

The choice of Motorola is a blow to GEC Plessey Telecommunications, the UK company formed earlier this year when GEC and Plessey merged the telecommunications operations.

GPT had tendered for the Cellnet contract with its X switches, which form the backbone of British Telecom's mainstream telephone network. Its failure to win either the Cellnet contract or a similar contract placed by Vodafone, Cellnet's rival in the UK, casts doubts on whether it will be able to win any con-

tracts for the pan-European mobile network.

This network is planned to come into operation throughout Europe from 1991. It will allow people to drive from London to Madrid using the same phone.

Mr Colin Davis, Cellnet's managing director, emphasised that the choice of Motorola would be good for UK industry, as the US company had agreed to manufacture the infrastructure in the UK.

Mr Don Burns, managing director of Motorola in the UK, said the company had already decided to double the number of employees at its plant in Stotfold, Hertfordshire, to 1,000 and would probably double it again as Cellnet orders started coming through.

More than 60 per cent of the components for the infrastructure would be made in the UK, he said.

Under the contract, Motorola will supply Cellnet with a test system to make sure that the equipment for the new network works. Mr Davis said Motorola would also supply it with the first tranches of operational equipment in an order likely to be worth more than \$50m.

He said Cellnet wanted to be sure that it always had the option of switching suppliers for subsequent tranches of the \$400m investment programme. Both parties, however, made clear that they expected Motorola to be the favourite for future contracts.

The other telecommunications manufacturers who bid for the Cellnet contract were: Thorn Ericsson of Sweden, Siemens of West Germany, Cridal of the UK, Philips Telecom of the Netherlands and Nokia of Finland.

Gleneagles buys into Lake Placid project

By David Waller

GLENEAGLES, the Perthshire hotel much beloved by businessmen and golfers, is to expand in the US. It has acquired a stake in a hotel at Lake Placid, New York state, where it is to create a sporting and conference centre of a scale and standard comparable with its Scottish flagship.

Together with United States Finance & Guaranty, and Daulds Development Corporation of Toronto, Gleneagles has bought the Lake Placid Club, a listed 1920s building which has been closed for several years. Situated in 1,100 acres of grounds, including a ski mountain and three golf courses, the hotel presently has 300 bedrooms.

The initial consideration was \$12m. After a feasibility study, considerably more than this is likely to be spent on developing the site in time for re-opening in 1990/91. The new development will be called Gleneagles Hotel, Lake Placid, and will be managed by Gleneagles Hotels, a subsidiary of Guinness.

This is the first time Gleneagles has moved overseas, although the company said yesterday it was always interested in potential development in Europe, Japan and the US.

Imports of spirits jump 16%

By Christopher Parkes, Consumer Industries Editor

IMPORTS of liqueurs, vodka and North American whiskies rose by almost 16 per cent last year.

Sales of native gin and Scotch, on the other hand, continued their long-term decline, with sales falling by 3 per

cent, according to the Wine and Spirits Association.

Among British-made spirits, only malt whisky and whisky increased their sales, and liquor imports improved their market share by more than a full percentage point.

Imports now account for more than a quarter of all UK spirits consumption, compared with 22.6 per cent in 1987.

Overall figures show that total volume sales of spirits rose 1.3 per cent last year after falling in 1986.

Food makers face rising demand for new products

By Christopher Parkes, Consumer Industries Editor

FOOD manufacturers are flooding the UK market with new products in response to rising demand from a population hungry for "something different."

Launches of branded foods and drinks more than doubled in the first six months of the year, increasing to 1,600 compared with 738 in the first half of 1987, according to the Leatherhead Food Research Association. The figures take no account of own-label introductions by multiple retailers.

Ranging from organic lunch packs to smoked salmon sausages, many of the new products were aimed specifically at relatively small groups of consumers, graded according to way of life, age and other factors.

Hence the appearance of Bleu de Brasserie, a strong lager aimed at the new breed of women who is allegedly with us, and Hippo Tots designed from Chambourcy targeted precisely on children aged between three and eight.

St Ivel has attempted to create a new niche market in the fragmented yellow fats business with its Lowest very-low-fat spread.

The innovators were busiest in the snacks, soft drinks, ethnic and vegetarian foods sector, and the number of offerings sold ready for cooking in the microwave oven increased by 138 per cent.

The impending demise of the sit-down meal, which has been on the decline for some years, and the ascendancy of "snacking" or eating "on the hoof" was reflected in the 170 per cent rise in the number of snack launches to 96 - including the appearance of microwaveable fudge and poppadoms.

On the back of last year's sharp increase in fizzy drink consumption - largely the result of heavy promotion by US cola makers - the number of soft drinks launched increased by 219 per cent to 86. This marked a recovery from 1987, when introductions in this sector were a third lower than in 1986.

Contractors hit by road repair moratorium

By Andrew Taylor and Kevin Brown

ROAD BUILDING and maintenance companies have started to lay off workers as a result of a government moratorium on motorway and trunk road repair contracts.

The British Aggregate Construction Materials Industries, a trade federation representing contractors and road building materials suppliers, said the Transport Department had also slowed down the award of new roadbuilding contracts.

If laid off workers had mostly occurred in northern England but were likely to spread if the moratorium continued. Ticon, one of the companies involved, said it would lay off some of its road surfacing workers in Yorkshire and Lancashire.

Mr Peter Bottomley, Transport Minister, told Parliament last month that spending on road building had been going ahead faster than had been expected. A slowdown in placing orders had been necessary "to keep spending on the road programme as a whole within financial provision."

Higher than expected tender prices from contractors have been blamed for some of the overshoot during the first few months of the financial year.

The Transport Department is carrying out a review to decide which works will be allowed to go ahead during the rest of the year. Mr Bottomley has warned that this might affect the timing of major works.

Road builders fear that the moratorium and capital road maintenance programme, worth about £16m for 1988/89, could be halved.

The British Roads Federation said the Transport Department should appear to have abandoned plans for maintenance work on 40 miles of motorway and 100 miles of trunk road.

It said that local authorities were also expected to spend less on road maintenance this year than the ceiling set by the Government - £1.164bn, against a ceiling of £1.264bn set in the Government's public expenditure provisions in January.

Drug companies call for longer patent protection

By David Fishlock, Science Editor

BRITAIN must try to persuade its European partners to legislate for longer protection of pharmaceutical patents, says the Association of the British Pharmaceutical Industry, trade association for the drug companies.

The ABPI estimates British drug companies spent £668m on research in 1987, a 13.7 per cent of the industry's gross output, compared with \$812m in 1986.

Mr David Godfrey, ABPI president, says, "If we are to sustain our research endeavours we must also secure adequate patent cover for our products and processes."

Today, by the time a new medicine reaches the market, usually more than half of the 20 years of patent protection has ticked away due to the safety tests and regulatory reviews.

None the less, the ABPI has welcomed a call by the European Federation of Pharmaceutical Industry Associations, for an effective patent term of 20 years from the date of marketing approval, throughout Europe.

None the less, the ABPI has welcomed a call by the European Federation of Pharmaceutical Industry Associations, for an effective patent term of 20 years from the date of marketing approval, throughout Europe.

Unions line up for attack on single European market

By Philip Basset, Labour Editor

EUROPE'S PLANNED single market in 1992 will be the subject of a centrepiece debate, to be attended by Jacques Delors, President of the European Commission, at the Trades Union Congress annual gathering, to be held in Bourne-mouth on the south coast of England next month.

Most of the resolutions on Europe contained in the Congress's draft agenda, published yesterday, are sceptical, or openly hostile to, the single market.

For example, the MSF, the general technical union, draws attention to the market's "damaging and opportunistic" effects and calls for a "series of requirements on companies."

The DCW, the postal union, wants to establish opportunities for common, European-wide bargaining. Apex, the white-collar union, and the NGA, a print union, attack the

British Government's approach to 1992 as "one-sided."

Biru, the finance union, says plans are not accompanied by parallel measures to safeguard jobs and working conditions.

Only the STE, the telecommunications managers' union, is less than wholly critical. It says unions should organise across the single labour market 1992 would create.

The most contentious subject for debate at the Congress is likely to be the disciplinary action against the ESWU, the electricians' union, over its negotiation of single-union, no-strike agreements, with employers.

None the less, much of the TUC's agenda is forward-looking and avoids the conflict. The AEU engineering union, for example, puts forward a motion calling for a fresh approach to recruitment, involvement and image, to

combat non-unionism and the slow but growing trend of union deterioration.

Among other motions, the Musicians and Bets entertainment unions attack Government use of the 1973 Fair Trading Act to review working practices in the film and television industry.

None the less, the Civil Service union, asked by moves to abandon the unions' annual protest against deregulation at Government Communications Headquarters, Cheltenham, is seeking to bind the TUC to stage next year's march.

The National Union of Mineworkers wants to bind the TUC and Labour Party to a policy of complete repeal of all Tory employment legislation.

The Labour Party should adopt a constructive approach to 1992, Mr John Edmunds, general secretary of the GMB, the general union, said.

Government starts review of student unions

By David Thomas, Education Correspondent

THE GOVERNMENT is seeking extensive information on the spending patterns, internal procedures and political activities of student unions as part of its review of the relationship between student unions and the National Union of Students.

The NUS has been under attack by the right-wing of the Conservative Party, which argues that many students are unhappy with the political campaigning of student unions and the NUS. The present arrangement is that individual students are autonomous members of their local student union, which can decide whether or not to affiliate to the national NUS.

Mr Kenneth Baker, Education Secretary, announced in April a review of student union membership and of the provision of student services.

The Department of Education and Science has now sent a lengthy questionnaire to 70 universities, polytechnics and other colleges. It has asked the Vice-Chancellors or principals to complete the questionnaire by the end of October with the help of student unions.

Much of the questionnaire concentrates on the spending patterns of student unions, including the services provided centrally by the NUS, raising the prospect that the Government may be thinking about trying to find alternative sources of supply.

The NUS said yesterday that many of its services, such as student advice, were not available elsewhere, while others, such as purchasing for student union bars, were more cost-effective because they were organised centrally.

Another large section of the questionnaire concentrates on the internal voting arrangements for student unions, suggesting that the Government might be considering intervening in student union elections as it has in trade union elections.

The NUS, which said it would advise student unions to respond to the questions, attacked the questionnaire for ignoring large areas of student union activity. Ms Maev Sherlock, NUS president, said: "This survey is selective, unnecessary and ill-informed and will fail to contribute to any debate on the rights of students to representation at a local or national level."

Three pesticides banned

By David Fishlock, Science Editor

THE GOVERNMENT is banning three pesticides for their persistence, a property once sought by industry but now seen as potentially harmful to the environment.

The three pesticides - aldrin, dieldrin and chlordane - are all organo-chlorine compounds, and will no longer be allowed as pesticide ingredients in Britain after 1992.

They have already been largely displaced by more degradable compounds such as the pyrethroids.

Mr John MacGregor, agriculture minister, said the pesticides would be phased out from the end of this year. This followed tests which showed that their residues could contaminate potato and lettuce crops in particular.

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If any holder of the Notes has any questions or desires to obtain the Information Statement prepared for the meeting setting forth further information concerning the proposed amendment and explaining the procedure for voting at the meeting, please contact Mr. Ian Kellow, Legal Counsel at Mitsubishi Finance International Limited, 1 King Street, London EC2Z 8EB England, Telephone 606-0059, Telex 8954381 BISHFI G.

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Car group poised to achieve steady growth over next 10 years, says report

Rover Group was 'exceptional value' for BAe

By Kevin Done, Motor Industry Correspondent

ROVER GROUP, the UK state-owned car maker which is shortly to be taken over by British Aerospace, is set to achieve a steady growth in profits throughout the next decade according to a major study by the Motor Industry Research Unit of the University of East Anglia.

The report by MIRU, one of the leading UK academic research centres into the motor industry, claims that Rover Group represents "exceptional value" and has been bought "at a very favourable price".

The report is based on a detailed analysis of the restructuring already carried out at Rover Group, previously British Leyland, and on its assumed future product plans.

It forecasts that Rover Group is about to move from a decade of chronic loss-making into a decade of sustained improvement in profitability.

Net profits could rise from £2m in 1988 to more than £200m in 1991 and around £400m in 1997, it says. BAe was buying "a potentially profitable asset which would achieve a substantial net profit".

MIRU forecasts that Rover Group market share will stabilise in the UK at the present level of around 15 per cent, bringing to an end the heavy fall from the more than 40 per cent share commanded by British Leyland in 1988.

It will achieve sales growth in the rest of Europe, the US and other overseas markets, with group vehicle production, including Land Rover, rising spectacularly from the early 1990s.

Vehicle output of some 50,000 units in 1988 could fall slightly next year before rising to 546,000 in 1992 and more than 650,000 in the second half of the 1990s.

Capital expenditure of £230m-£350m a year will be needed for most of the next decade as Austin Rover concentrates the production of small and medium cars at Longbridge, Birmingham and the assembly of executive cars at Cowley North works.

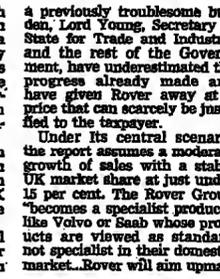
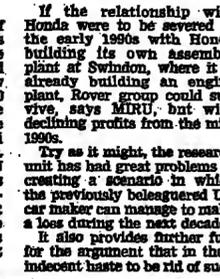
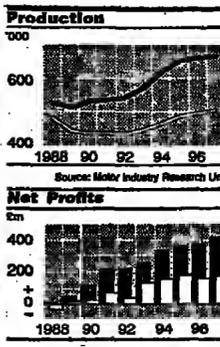
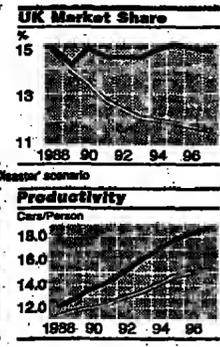
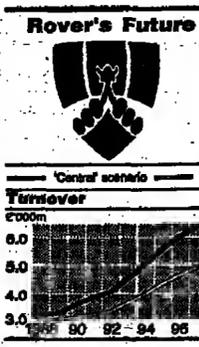
Oxford, Rover's capital investment needs are "very substantial" because so little has been invested in the past 10 years.

The MIRU report expects the Rover Group workforce to fall from around 43,000 this year to a level of some 35,000 in 1992, while productivity rises steadily to more than 18 cars per employee by 1996/97 from 12 cars per employee at present and only seven in 1985/86, before the company began a sweeping series of investments.

It says that Rover Group has reduced the number of its component suppliers from 1,900 a few years ago to 700 at present and plans a further reduction to only 300.

In fitting part of the veil of secrecy over Rover Group's product plan for the 1990s, the MIRU report says that Land Rover is set to launch a new medium-range vehicle in 1990 to compete with Japanese rivals in the four-wheel drive sector such as the Mitsubishi Shogun and the Isuzu Trooper.

On the cars side MIRU expects Rover to continue its product development collaboration with Honda of Japan. "It is likely that Rover will have some of its own products topped up with Honda joint ventures."



ket with an image target of BMW for the overseas markets, while supplying a complete range of vehicles in the UK domestic market."

MIRU suggests that European sales excluding the UK could rise by some 35 per cent over the 10 years 1987-97 from 110,000 units to around 140,000 units helped by the introduction from 1993 onwards of the R8/B9 and Rover 800 plus derivatives.

It is also optimistic about Rover Group's long-term prospects in the US, despite its sales setback with the top of the range Sterling this year, and suggests that US sales should exceed the 1987 level from 1991 increasing to 33,000 units in 1997. Range Rover US sales could almost triple to around 9,000 by the late 1990s.

Other MIRU scenarios look at the future of Rover Group without a replacement Metro in the late 1990s, without any relationship with Honda beyond 1992, with slower export sales growth, and finally, in the so-called disaster scenario, at a UK market share below 12 per cent.

Rover: Profile, Progress and Prospects. Motor Industry Research Unit, 2 Dove Street, Norwich, Norfolk NR2 1DE. Price £120 or £250 or DM 400 or Yen 35,000.

Life insurers dismiss doctors' criticism over AIDS testing

BY NICK BUNKER

A ROW over AIDS tests between doctors and the insurance industry showed signs of intensifying yesterday as the Association of British Insurers flatly dismissed criticisms of its procedures made by the British Medical Association.

The ABI - which represents about 425 insurers - said it was "surprised" that the BMA had not approached the industry before making a statement warning doctors against sending AIDS test results direct to life assurance companies.

The BMA said over the weekend that potential sufferers were in danger of learning that they had been exposed to the AIDS virus from letters from a company rather than from their physician. This could have damaging effects if he or she did not receive proper counselling, according to the BMA.

Its comments were prompted by an ABI recommendation that insurers should ask for blood test results to be sent direct from laboratories to their own Chief Medical Officers.

The recommendation takes the form of draft letters to applicants for life assurance who may need an AIDS test. It was produced by the ABI in May and contains a brief explanation of the significance of a test and an assurance that results will be confidential. It also includes a specimen testing consent form to be signed by the applicant.

Mr Roy Brimblecombe, chairman of the ABI's Life Insurance Council, said the ABI "fully agreed" with the BMA about the need for counselling. He said the draft letter recommended that there should be counselling regarding the implications of a test before the applicant consented to undergo one.

"If a test proves positive, the Chief Medical Officer will inform the doctor or clinic previously nominated by the applicant so that post-test counselling can be initiated," he added.

Mr Brimblecombe conceded, however, that some people may have first learned of their exposure to AIDS in a letter from an insurer. "We can't be 100 per cent sure it hasn't happened," he said. "It may have happened in an isolated case, though it should not happen if an insurance company follows our guidelines."

Funds shortage kills money market settlements system

By David Lascelles, Banking Editor

An initiative to create an electronic clearing and settlement system for London's money markets collapsed yesterday because of a rebuff by banks to finance it.

The setback is an embarrassment for the City of London. It means that the markets, which handle billions of pounds worth of bills and money instruments every day, will continue to be settled by shuffling paper between dealers at a time when other financial centres have gone over to modern methods.

Mr David McWilliam, chief executive of LondonClear, the company set up to create and run the system, said last night: "This is a bitterly disappointing response. It is very difficult to understand because everyone believes in the strategic need for this initiative."

LondonClear was launched last year with the backing of 18 banks, including the Bank of England. By this summer it had prepared detailed plans for its systems and operations, and had begun to commission equipment.

But it failed to win the backing of enough banks to ensure sufficient funding, and LondonClear's board was forced to announce the suspension of operations yesterday.

The project was based on a projected membership of 70 banks and other users of the money markets, such as build-

ing societies and money brokers. But only 40 came forward. LondonClear also planned to sell £20 million of loan notes to finance start-up costs. But the large clearing banks are believed to have offered to buy less than £1m worth.

The Committee of London and Scottish Bankers, the clearing banks' trade group, was consulted by the Bank of England in an effort to keep the project afloat. But LondonClear said last night that these discussions showed "that adequate funding would not be forthcoming."

A CIBS spokesman said that its members "were in favour of the concept in its original form but could not agree to it on the basis that was being proposed". He declined to comment further. However, bankers are believed to have been concerned about the fast-rising cost of LondonClear whose total budget was most recently put at about £16m.

The clearing banks and the Bank of England still support the idea of introducing electronic systems into the City's money markets, and LondonClear's development work will be preserved for possible modification by a new initiative.

LondonClear's board said it hoped that it would be possible to implement in some form a facility which is seen as essential for London as an international financial centre.

'Stronger measures' call on ozone layer

By John Muir

MUCH STRICTER curbs to prevent further pollution damage to the ozone layer are proposed in a report published today by the House of Lords committee of the European Communities.

The committee is demanding far tougher reductions in the use of chlorofluorocarbons (CFCs) than those envisaged by British and other EC countries. These substances are used in aerosols and as refrigerants and solvent cleaners, and are believed to damage the ozone layer.

The committee also makes public a strong warning to be contained in the forthcoming report of the Stratospheric Ozone Review Group, a body of scientists set up by the Department of the Environment and the Meteorological Office to give independent advice on the threat to the ozone layer.

The group warns that "unless emissions are reduced very much further, as a matter of urgency, it is likely that more severe depletion of stratospheric ozone will occur."

The ozone layer protects the earth from excessive exposure to ultraviolet radiation from the sun. Scientists believe its depletion could lead to an increase in radiation, which could in turn cause skin cancer and damage plant life. Some experts believe an ozone hole detected over the Antarctic has been caused by CFCs.

The committee recommends that production and consumption of CFCs should be reduced as soon as possible by 85 per cent in order to stabilise chlorine in the stratosphere.

This is similar to the position adopted by the environmentalists' group Friends of the Earth, and goes much further than the Montreal Protocol on reduction of CFCs adopted by Britain and other EC countries.

The committee is also seeking a ban on the use of CFCs in non-essential aerosols "since this is the quickest and easiest way to produce a significant reduction."

Select Committee on the European Communities, 17th report, Session 1987-88, The Ozone Layer - Implications for the Montreal Protocol. HC Paper 94, 24.80.

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Colleges export courses

By Ian Hamilton Fazey, Northern Correspondent

AN INNOVATIVE consortium of seven universities and five polytechnics has won a £1m contract from the Malaysian Government to provide undergraduate courses for 2,500 Malaysian students over the next three years.

The 12 institutions will prepare first-year syllabuses for use in Malaysia. Students who pass will then take up places in Britain. The plan has the twin merits of cutting the time students spend in the UK and increasing their chances

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The above statements are taken from Sir Bryan Nicholson's first annual report as Chairman of the Post Office. For your copy of the Post Office annual report and accounts 1987-88, write to: Report 88, Freepost, London SW1X 1EE.



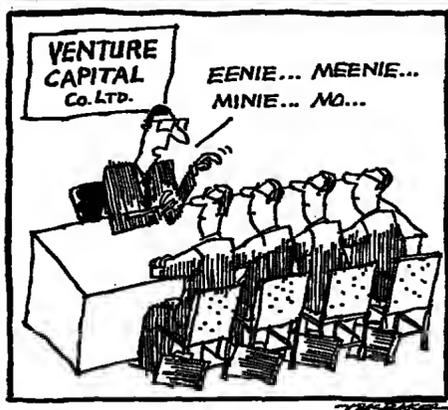
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Start-up appraisal techniques still fall short, reports Charles Batchelor



EENIE... MEENIE... MINIE... MO...

THOSE people who complain that Britain lacks the role models of successful entrepreneurs which are so common in the US will get little comfort from Secrets of Success: What You Can Learn From Britain's Entrepreneurs...

more favourably than the fruits of hard work, ingenuity and marketing aplomb. Most of Rasmussen's business-people have been chosen from the ranks of those who have taken their companies public...

ities of these entrepreneurs is not easy and Rasmussen cannot avoid the occasional lapse into oversimplification. But by and large his subjects do not conform to many of the large organisations in frustration and a little resentfully...

In just three years Blue Ridge Care, a manufacturer of disposable nappies, has emerged as one of the stars of the economic revival of Consett, the Durham steel town devastated by the closure of several of its main industries in the early 1980s.

The contrast between Blue Ridge Care's current success and the difficulties it had getting off the ground are striking. Could no one have predicted the company's spectacular growth and taken much of the hassle out of getting started?

Paul Foley, a researcher at Sheffield University, lists luck alongside more formal criteria as a factor in business success. Is it likely that a reliable predictive system could be developed, offering, for example, banks the possibility of reducing their failure rates and the Government the facility to channel more resources towards companies deemed most likely to grow?

substitute for the judgment of the bank manager or the loan executive. A recent study by Storey, entitled Fast Growth Business in Northern England, found that the more successful firms were characterised by the level of ambition of their founders.

The winners look very similar to the losers, confirms Bert Nicholson, industrial development director of the Central Regional Council in Scotland. "The same factors can produce success or failure. The bulk of companies in the middle will probably be OK."

For some of the organisations involved in backing small business, particularly those with social as well as commercial aims, it is often enough to find the survivors. "We are looking to turn marginal projects into ones which are backable," says Roger Thackeray, chief executive of BSC (Industry).

the cost of training courses, the availability of government grants and the amount small firms are prepared to pay. LARGE companies in Britain have been reluctant to forge informal links with smaller businesses to share technology and expertise though corporate venturing is well-established in the US.

Tax

Right first time

Charles Batchelor on presenting accounts

AVOIDING trouble with the taxman can be as much a question of how a business presents its accounts as of what they contain. Once an inspector comes across a set of accounts which appear suspicious it will be difficult to convince him they really do represent a true and complete statement of a business's activities.

expense item suddenly rises sharply. There may be perfectly good explanations for all these events; the freelance might be living off a redundancy payment while his business gets established; the special nature of a business's product line might produce lower profits than apparently similar businesses; the rise in, say, vehicle running expenses, might result from a retailer buying at cash and carry warehouses instead of having purchases delivered by wholesalers.

In brief

VENTURE CAPITAL has been in short supply in many regions outside the South-East but now the numbers of local funds are starting to grow. Somerset County Council Pension Fund has launched a £2m enterprise fund to provide start-up, expansion and management buy-out finance.

Philips Electronics, part of the Dutch electrical group, hopes it can broaden such contacts (FT 10 August 1988). Agreement with two British venture capital companies, Oakland Capital Management and Baronsmead Associates, Philips wants links with smaller firms developing or marketing products and technologies in the defence, medical, communications and other fields.

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Company Notices

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Dividend Notice

At the Annual General Meeting held on July 21st, 1988, the shareholders decided the payment of a dividend of \$US 0.05 per share payable on or after August 18th, 1988 to shareholders of record on July 21st, 1988 and to holders of bearer shares against remittance of coupon n° 3.

The shares will be quoted ex-dividend as from July 22nd, 1988.

By order of the Board of Directors.

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TECHNOLOGY

When lightness pays

"LET'S see what it can do," says the aircraft designer, throwing the precious product to the floor and stamping on it. But the crushed plastic springs back into shape uncracked.

Harry Pentney tells the story with relish, for it illustrates everything he is claiming about his reinforced plastic tubes. His market is aerospace because, as he puts it, a pound saved on the weight of a military aircraft is worth £300.

He is one of four former Raychem executives who two years ago formed a high-technology company in the aerospace business. Called Shrinemark and based in the Cotswolds, the company's technology base - unwanted by Raychem - is knowledge of how to make small-bore, uncrushable tubes. The tubes are made of thermoplastic materials, reinforced with braided fibres of carbon, Kevlar or glass. The process combines time-honoured textile practice with polymer science.

Shrinemark produces long tubes - round or elliptical in section - of the kind that interest aircraft designers. The tubes can be squashed flat to squeeze into awkward recesses, but once in place they will spring back into shape.

Pentney says an example of their robustness is that they can resist slopped Coca Cola, a corrosive which can wreak havoc with aluminium fittings in aircraft galleys. But the big selling point is lightness.

The company pitched initially for aircraft cooling ducts,

of the kind used to ventilate the cabin and to pipe cooling air to electronic systems. But soon it was invited to tender for fuel pipes, a bigger challenge because of the strict safety standards.

In the EH 101 helicopter, under development for the Defence Ministry, there is a potential 50 metres of air and fuel ducting for which it may be invited to tender. Other challenges include uncorrodible telescopic arms to suspend submarine sensors for the navy.

The quartet launched the company with their own money, but have just obtained a £150,000 injection from Hambros Advanced Technology Trust. Pentney forecasts sales of £500,000 this year.

The Department of Trade and Industry helped fund one of the development projects, but it was a time-consuming business.

Pentney has higher hopes of Smart, the DIT's small firms merit award for science and technology, aimed at projects that would be too risky for more conventional sources of cash.

Shrinemark has proposed a project to design and test-market a device called a P-clip, which is used by the hundred in every aircraft to secure the wiring. The customary metal P-clip weighs 13 grams. Shrinemark plans to make a clip of reinforced thermoplastic weighing only 3 grams.

David Fishlock

The Royal Opera House in London's Covent Garden is becoming more modern. Not that the programme is radically changing - Don Giovanni is playing this season; rather, new technology is appearing in the box office.

The investment is part of an international trend. From Madison Square Gardens in New York to Sydney Opera House in Australia, computer booking systems have been installed.

The UK theatre industry believes computers will improve marketing techniques as well as making it easier to purchase tickets. Thanks to the new systems, customers in the US or on the Continent can book tickets for the West End by telephone.

"In the 1980s, almost every major US venue has been computerised," says Fred Rosen, chairman of Ticketmaster, of California, the leading US supplier of computerised box office systems. Rosen estimates that \$1bn (£580m) of tickets will be sold through computer systems in the US this year.

Now, after a long wait, the European market is beginning to move, according to Karl Sydow, director of First Call, a subsidiary of London-based company Space-Time Systems which claims to have supplied 70 per cent of the UK's computerised theatre ticketing systems.

"The changes in arts funding and increasing professionalism of theatre management mean that performance centres have to be much more aware of the customer and the first point of contact is the box office," says Sydow. He argues that the computers are an important marketing tool. Until recently, few venues had any idea who their audiences were. Managers in London's West End and on Broadway in New York are now using them to build up customer profile databases from the names and addresses of credit card customers.

"Companies like the Royal Shakespeare Company and Covent Garden

A contemporary role for the box office

Paul Abrahams finds that computers have become an important marketing tool at arts venues.

are not interested in one-off sales," says Sydow. "They want to sell series of performances and subscription schemes. With a database of membership addresses they can target individuals who attend particular types of performances, rather than wasting money on national advertising."

Another attraction is that seats can be booked much further ahead. For example, the system has produced a dramatic improvement for the Concertgebouw in Amsterdam, which previously was only able to sell tickets for two weeks in advance because the booking office drawers could hold no more tickets.

Theatre managers have found that the computers also help to increase sales. Jules Boardman, managing director of Ticketmaster, a majority-owned subsidiary of Associated Newspapers, points out that computer-based systems are much more effective at allocating seats.

Simon Girdler, one of the supervisors at the Royal Opera House in Covent Garden, says that telephone sales, the postal department and the box office are now linked through the Space-Time system.

Previously, when the telephone sales department ran out of tickets, somebody would have to run down

stairs to see if any tickets were left in the other departments.

The box office can also react more quickly to demand. "When we have somebody like Placido Domingo singing, we receive hundreds of thousands of applications. Processing them by hand took days," says Girdler.

Sales are automatically fed into the Royal Opera House's accounting system. "Reconciling the accounts with the tickets stubs used to be very difficult. Everything had to be balanced and if a single stub was lost it could be a murder to make sure it all totted up."

Among the benefits for customers is the ability to book seats in one theatre for another, including being able to see seating plans on screen.

There are also links between theatres and independent bureaux. In the UK, some theatres use terminals connected to the two main bureaux, Ticketmaster and First Call.

"Ticketmaster provides a service called Viewticket which links up with travel agents, including about 200 branches of W. H. Smith Travel. This makes it possible to access the plan of theatres and concert halls elsewhere in the UK when booking tickets."

One of the main advantages of the bureaux is cost. The Digital Equipment Vax computers and other equip-



Placido Domingo: computers help cope with the rush to see him perform

ment for stand alone systems can cost from £40,000 to £1m, depending on the number of terminals and the amount of power required.

Even the personal computer-based systems, supplied by Rita, a company jointly owned by the Royal Shakespeare Company and British Telecom, can cost £20,000 for six workstations.

Computerised box office systems are also being used in the UK cinema industry. Jim Whittell, managing director of Odeon Cinemas, a subsidiary of the Rank Organisation, says that each of its cinemas will have computers by the end of the year. It has installed a PC-based system using Israeli software called Cats (Computerised Automatic Ticket Sales).

Britain has the highest attendance rate per cinema in Europe: audiences have increased by 39 per cent in the last four years. Cinema chains hope that advanced booking systems and computers will reduce both queuing and ticket touting (or "scalping" as it is known in the US).

AMC, the Kansas-based cinema

chain which has four multiplex cinemas in the UK, has also been investing in computer systems, though the main motivation has been on marketing. Millard Ochs, UK director of operations, says: "We can record the age-groups going to cinemas, allowing us to target certain types of films. What's more, we can see which films are doing well on a day-by-day basis."

However, not all managers are convinced of the immediate benefits of computerisation. David Marland, deputy box office controller at Stoll Most Theatres, which runs a third of West End theatres, has been looking at automated box office systems for the last two years.

"West End ticketing is so complex that the current systems can't cope or tend to be too slow," says Marland. "We also think their security and reliability are questionable."

"The technology is moving forward so quickly, the risk is that we invest in a less than perfect set-up and then end up kicking ourselves when the definitive system arrives."

MANUFACTURERS HANOVER

Vitality

"Our plan is on track!"

Shareholders' equity up \$776 million

Manufacturers Hanover Corporation reported earnings of \$403.1 million for the second quarter, or \$7.93 per common share, and major progress toward its goal of restoring common equity to four percent of assets. It also reported a \$250 million reduction in nonperforming assets during the quarter and lower operating expenses.

Highlights for the second quarter include:

- An increase in common shareholders' equity to 3.60 percent of total assets, up from 2.36 percent at June 30 last year. The addition of \$776.3 million in common equity over the past twelve months brings total common shareholders' equity to \$2.52 billion, up 45 percent from \$1.74 billion a year ago. At June 30, primary capital stood at 8.56 percent of assets and total capital was \$9.7 billion, or 13.40 percent of total assets.

- An increase in common shareholders' equity at Manufacturers Hanover Trust Company, the Corporation's flag-

ship bank, to 4.06 percent of assets, up from 2.80 percent a year ago. The Trust Company's primary capital at June 30 stood at 8.59 percent of assets.

- Net income of \$403.1 million, or \$7.93 per common share. These results include a gain of \$291.3 million (including tax benefits) from the sale of the Corporation's consumer finance subsidiary, Manufacturers Hanover Consumer Services, Inc., as part of its equity replenishment plan. For the first six months, net income was \$543.4 million, or \$10.52 per common share.

- A \$250 million reduction in nonperforming assets in the past three months and a \$521 million reduction in the past year. Nonperforming loans have been down for four consecutive quarters.

- Earnings of \$31.8 million at The CIT Group, more than double the \$13.9 million reported in the second quarter a year ago. For the first six months, earnings at CIT were \$62.0 million, up 61.8 percent from \$38.3 million last year.

Chairman and Chief Executive Officer John F. McGillicuddy said, "The addition of nearly \$800 million in common equity reflects success in our plan to largely restore common equity by the end of 1988 to four percent of assets—approximately the same level prior to last year's reserving action. Our overall results demonstrate that the key fundamentals of our financial plan—managing our business for higher returns, lower expenses and improving credit quality—are on track with expectations.

"Because our capital-raising actions since last June focused on common equity, they are consistent with the new regulatory requirements for risk-adjusted capital. We are confident that Manufacturers Hanover will be well within the requirements as they are phased in."

Mr. McGillicuddy added, "The results at CIT begin to underscore the potential of this organization. In addition to the efficiencies effected through the restructuring of CIT, charge-offs and operating expenses are substantially below last year's levels."

A sizeable step for the flat TV

THE SIZE of flat screen colour televisions, which has been hovering at three to four inches for the displays, has taken a notable step upwards. Sharp of Osaka, in Japan, has just revealed the development of a 14-inch unit.

Sharp will say nothing about the price at which it will be sold, but it is likely to be considerably more than a conventional 14-inch colour tube.

The television will go into mass production in the summer of next year. So by the autumn it can be assumed that the first "hang-on-the-wall" sets will appear on the Japanese market.

The display is only 27mm thick (just over an inch) and can produce pictures with more than 300,000 pixels (individual picture elements). This is roughly the definition produced by domestic video cameras; but less than the European broadcast television standards (roughly 0.5m pixels).

This film technology is used in this new liquid crystal unit, with pixel control transistors laid down over the whole screen area. The technology simplifies the control of individual pixels from addressing units on the edges of the screen.

Laser amplifies light signals

A TEAM at GTE Laboratories in the US has developed a laser, made from glass fibre, that is able to amplify light signals in the waveband range - 1,300 to 1,340 nanometres - usually employed in telecoms. (A nanometre is a thousand millionth of a metre.)

A commercial device may be some years away. However, the development opens up the prospect of simply splicing in a length of fibre and providing it with the necessary external light "pump" to produce laser action.

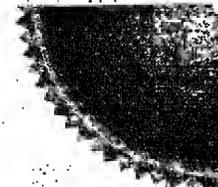
At present, amplification can only be produced by converting the digital light pulses back into electrical pulses and using normal electronic amplifiers. These "repeaters" are placed at intervals of perhaps 25km and can cost \$30,000 (£18,000). The GTE team says it will be able to make optical amplifiers for much less.

The fibre uses glass which is based not on the usual silica, but on neodymium-doped fluorozirconate. GTE believes the material eventually could be instrumental in piping light signals representing huge amounts of information to offices and homes.

New bearing for opposing thrusts

FOR applications such as jet engines, where the main shaft may be subjected to forward or backward loads along its length, The Timken Company in the US has developed a tapered roller bearing that can take these axial thrusts in either direction.

Tapered roller bearings are used where shafts have to take and thrusts while maintaining easy rotation. But if these thrusts can arise in either direction then, to date, two opposing bearings have had to be used. With a combination of



WORTH WATCHING

Edited by Geoffrey Charlish

design, a special steel and careful lubrication, Timken has produced a bearing with a single row of rollers that will stand up to the rigours of a modern military gas turbine. Although this is a somewhat specialised area of bearing application, Timken believes other machine designers may be interested in the development.

Gear changes without footwork

AN AUTOMATED manual gearbox for road vehicles is being developed by Automotive Products, of the UK, as a lower cost alternative to full automatic transmission. AP is working with an undisclosed European vehicle maker and production is expected in 1991.

The automatic clutch and throttle system, ACTS, replaces the clutch pedal with electronically controlled linkages to a normal clutch and engine. As the driver moves the gear lever, a microprocessor controls the disengagement and re-engagement of a standard clutch, synchronising engine speed to suit the gear selected and eliminating the need for any movement of the accelerator pedal.

Competitiveness by the book

A NEW book, entitled *Competitive Manufacturing*, deals with the need for companies to re-examine their manufacturing strategy in the light of modern technology and market conditions. It avoids the normal text book attitude and suggests that the reader, or more probably a company manufacturing team, go through a three-stage routine. It includes worksheets that have to be filled in before proceeding.

After stage one, the team should be aware of its present market position for the company's products. Stage two calls for thorough assessment of the manufacturing operation, while stage three is about developing a new strategy. Published by IFS Publications of Bedford for the UK Department of Trade and Industry, the 77-page, A4-sized book costs £14.95.

CONTACTS: Sharp: Japan, 8 321 1221. GTE Laboratories: US, (617) 488 2328. Timken: British Timken is on 0294 52911. Automotive Products: UK, 0225 27000. IFS Publications: UK, 0234 65966.

ARTS

The dealer who collected a winning hand

William Packer reviews the first exhibition of the full collection of Heinz Berggruen

Heinz Berggruen was born in Berlin in 1914. His first interest was medieval art, which he studied in France...



Les Femmes d'Alger (the second version of 1908)

ments to his Picassos of the same period. The Bonnards are characteristic, and the early Miro, c.1925, 'The Dialogue of the Insects'...

The dealer's and the collector's gifts do not necessarily coincide: they are often contradictory

Berggruen was lucky enough to begin his double career in the right city at the right time

led. But he became more than just a dealer, however distinguished. He has also proved to be a great collector. Indeed, Berggruen's life as a collector was covered in the Western FT on Saturday...

over bear to lose his prize? The trick, in Berggruen's case, would seem to be the strictest separation of the activities, and dealing only rarely in the right city at the right time...

early 1950s, it is one of the most important Picasso collections still in private hands. But then, though they are not quite so extensive, the same might as well be said of his groups of Seurat, Cezanne, Matisse and Klee...

of expression, of light and air and space, achieved within so strict a formal discipline. More extraordinary still is 'Les Femmes' (in the second version of 1908). The same model strikes three poses in the studio, sitting at rest with her back turned, standing at ease before us and then sitting again...

Self-help calls the tune for triumphant Torquato

BUXTON FESTIVAL

Like the lady in Polka, the Buxton Festival may have had its ups and downs, but it still has a lot to offer...

advantage in two ways. First, the famous courtesan Don Gherardo 'is played' absolutely straight, while his music remains comic, and in Steven Page's virtuoso performance the character took on genuine and sinister malevolence...

expanded excitingly at the top and thrilling agility to her Eleonora; the brilliance of her cabaret-like made one regret even more the omission of the second and third acts...

Russell Smythe as Torquato Tasso and Stephanie Friede as Eleonora at the Buxton Festival



Russell Smythe as Torquato Tasso and Stephanie Friede as Eleonora at the Buxton Festival

Vocally there was pleasure only in Claire Daniels's Zelmira: sparky, accurate, alive. The best that could be said of Ann Pickens in the title role is that her response to the often difficult writing was honourable, no more. Jeffrey Talbot (Rinaldo) is so nearly

such a marvellous tenor that his lazy pitching and unfinished phrasing are all the more frustrating: one longs with growing impatience for him to fulfil his potential. Almost the same could be said for Haydn as an opera composer.

Rodney Milnes

Donizetti himself expressed doubts about the piece's viability, but on this evidence they were groundless

and affecting music drama. Mr Ricci, a young Milanese conductor with enviable experience in early 19th-century opera, showed that he knows just what this sort of music is for. He caught amazingly not only Donizetti's elegance and fastidious musicality, but also his energy and that indefinable quality of almost shy holding back of hesitant retention that I for one find incredibly sexy.

Renshaw, seemed to have given up altogether, perhaps understandably given the dramatic impossibility of his protagonists. Even a polite British audience was driven to giggles by the third act: in Europe the show would have been whistled off the stage.

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ARTS GUIDE

- MUSIC London BBC Symphony Orchestra, conducted by Leonard Slatkin... Paris Opéra de Paris... Opera and Ballet London London State Opera Ballet... Rome Teatro di Cagliari... Ravenna La Maschera... Tokyo East Horizon Hall, Gionza...

A Mass of Life

ALBERT HALL

With its slow unfolding of a luxuriant and grand design, Delius' A Mass of Life might well have been written for a sultry, unburied Sunday night at the Proms. The work breathes and sounds right in this generous acoustic, so that if ever it was going to be convincing, this would surely be the time and place...

Instead all too much of the evening slipped past in a mild and unassuming manner, as though the score was frightened to stand up and claim our attention. Sir Charles Groves does not invest the choral outbursts with the energy and thrust for life that Beecham, the first conductor of A Mass of Life, did. His value as an interpreter lies rather in the ability to lead his listeners on a relaxed and patient tour through an authentic Delius sound-world.

Excerpts from Nietzsche's Zarathustra form the text. The point has often been made that the score should not be judged as an attempt at setting philosophy to music, because it was the poetry and atmosphere in Nietzsche to which Delius responded, rather than the ideas. But whenever one hopes that the composer will rise above himself to match the enormity of the words, all we get is more of the same: typically sun-soaked textures, rolling into a hazy distance.

To this end The Royal Philharmonic Orchestra provided the most notable pleasures of the evening, with playing that was consistently well-balanced and golden in tone. There was a fine trio of other soloists in Alison Hargan (soprano), Sarah Walker (mezzo) and Laurence Dale (tenor) and the combined forces of the BBC Singers, BBC Symphony Chorus and London Choral Society brought weight of numbers to the choral sections. With the whole ensemble in full cry the last climax was undeniably ecstatic, but by then it was late in the day.

Richard Fairman

I Fought Yuppie Zombies From Hell

ALEXANDRA PARK

The collapse of the Festival of London last week left two survivors: the Moscow State Circus and, nestling beside it in a somewhat smaller top, London's own Bubble Theatre.

dental whodunnit involving a dead-end detective (Conrad Schwarz) and a conservationist (Sarah Davison) in a fight against world takeover by the hounds of international business conglomerates.

Michael Coveney has written eloquently on this page about the virtues of the Russian troupe; Bubble, a touring company founded in 1973 on the initiative of Greater London Arts, is in a different league.

Sophistication is not a charge one could lay at the door of a show that targets everything from new technology to old-fashioned municipal double dealing, from city wizz kids snorting coke over the stock market latest to architects locked up in a lunatic asylum because every one of them claims it was the other who did the tower blocks.

Its four-day stay at Alexandra Park came in the middle of a three-month summer tour with two main shows, a children's play and a late-night cabaret. This place, A Midsummer Night's Dream alongside a rock horror musical reworking in the title I fought Yuppie Zombies from Hell. Both are directed by Peter Rowe in a Bible style that marries wacky exuberance with solid all-round accomplishment.

There is a danger that the structure of the piece will buckle for sheer overplus of energy. That it doesn't is due to the centripetal energies of superb performers who glide from the stage to the backing band, from a Chas and Dave-style pub number thumped out by Liz Kitchen as a raucous East End granny to a call-and-response incantation rap led by a stony-faced Lisa Stenz with the entreaty "BT good for me. Dow Jones in my bones."

The high point of a freely, though affectionately adapted Dream comes with the transformation of the Pyramus and Thisbe into a black and white opera performed for Thebes and Hippolyta by a catering corps starring Bottom the Lardy Caribbean cook and Hilda Snout, the washer-up.

At the sharp end of the show is a scattering of memorable one-liners. "I hope you don't think you're getting a virgin," cries Sarah Davison, as she is carried off for sacrifice. Looking back on the play, opines Conrad Schwarz's amiable rumbled detective, "it's like a kitten in a liquidiser: short, bloody and good for a quick laugh." He might be reviewing Yuppie Zombies.

Claire Armitstead

Ravenna Festival

RAVENNA

For Italian festivals these days the weather forecast is required reading. The summer has been unstable, and often inclement. Performances have had to be postponed, even cancelled. In Ravenna, the audience that gathered in the lovely park behind the Pinacoteca to see the beloved ballerina Carla Fracci arrived armed with umbrellas, macs and brave hope.

a grim Alp composed of tilted organ pipes. On the stern, but relatively small fortress, the Rocca Brancaleone, the festival offered a new Turandot, designed and staged by Pier Luigi Pizzi.

Luckily the rain stopped a short time before the scheduled performance, and the hope was justified. Still, signora Fracci and the rest of the company - which included actors, dancers, and the Emilia-Romagna regions - had to cope with adverse atmospheric conditions. Several last-minute applications of sawdust had dried out the planks of the makeshift stage, but the air remained damp and piercingly cold.

In recent years Puccini's posthumous opera has become a favourite among "outdoor" producers, almost rivaling Aida. Instead of cluttering the not large stage in the Zeffirelli manner, Pizzi kept the scene fairly stark, limited the movements and the supers, and - except for an ill-conceived throne for Alburn, not suitable for transportation up stairs - all was handsome and intelligent.

Menegatti, basing his work on the Tchaikovsky Manfred Symphony (coquently conducted by Michel Sason), employed passages from the dramatic poem, in an historic translation by Silvio Pellico, as well as excerpts from Byron's letters to his half-sister and to Thomas Moore. Three choreographers - Wayne Eagling, Geoffrey Canby, and Louis Gal, successively - worked out visual parallels to the music and the drama, against an impressive set by Koki Fregni;

Hubert Sondant, making his debut at the Rocca, also conceded nothing to the plain air site: his reading was sober, thoughtful, concentrating more on character than effect. Appropriately, the young Maria Dragoni was a less emphatic Princess than the usual exponents of the role; she did not indulge in vocal overkill, but gave us a human and believable figure, still powerful enough to offer pleasant contrast with Cecilia Gasdia's tender, affecting Lili. Antonio Ordóñez was a loud, but not effective Calaf. Marco Lupieri was an imposing Timur, and the three masks were not over-caricatured.

William Weaver

FINANCIAL TIMES

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Tuesday August 2 1988

Control of the West Bank

YESTERDAY'S headlines, "Husseini gives PLO control of West Bank", contained an unintended irony which must have been savoured by some of our Israeli readers.

The juridical status of the West Bank has been disputed ever since the end of the British mandate in Palestine in 1948. But control of it was indisputably lost by King Hussein in the war of 1967. He would as dearly like to be in a position to give control of it as the Palestine Liberation Organisation would like to receive it. For the moment Israel is in control, but its control has been severely challenged in the last eight months by the *intifada*, or uprising, of the Palestinian inhabitants.

That uprising is the main element in a conflict which is otherwise depressingly static. Until the end of last year the Palestinians, especially the inhabitants of the Occupied Territories, were pre-eminently the object of this conflict. Now for the first time they have become its subject.

Similar measures

That is the great difference between the situation now and the one which prevailed in the mid-1970s, when King Hussein announced a number of measures very similar to those contained in his speech on Sunday night. Then as now he was reacting to the decision of an Arab summit conference (at Rabat, in October 1974) to recognise the PLO's exclusive right to exercise sovereignty on any Palestinian soil recovered from Israeli occupation. Then as now he accepted the decision with bitterness and reluctance, believing that the PLO had little or no chance of making good its claim whether by war or by diplomacy.

Then, as now, his decisions involved elements of surprise, of tactics, and of bluff. He wished to remind the West Bankers of some of the benefits of the connection with Jordan that had been too much taken for granted; he calculated that the PLO and the Arab states would eventually be forced to admit their need for his involvement (as indeed they were, after Israel ejected the PLO from Lebanon in 1982); and he had

no real intention of severing all connections with the West Bank or abdicating his channels of influence there.

Then as now (finally) his bitterness was directed also at Israel and the US, which he felt had failed to come forward with the minimum concessions necessary to give his role any credibility in the Arab world. His action none the less reduced even further the chance of such concessions, since the only advocates of concessions who are close to political power in Israel are believers in the so-called "Jordanian option".

November election

King Hussein was proved right in 1982, but his critics in their turn were proved right last year when Mr Shimon Peres, the Israeli foreign minister, proved unable to force a political crisis in Israel on the issue of attending an international peace conference (which he and the King had agreed should provide the framework for an exchange of territory for peace). Now the chances of Mr Peres gaining effective control of the government in the November election look less and less good, and King Hussein's announcement will have reduced them even further.

As things stand, there seems as little hope of peace with the "Jordanian option" as there is without it. The Israelis are left face to face once again with the Palestinians and with their proclaimed representative, the PLO. Palestinian nationalism is more than ever a palpable reality with which any Israeli who genuinely wants peace must come to terms, just as Israel is a reality with which the PLO has to come to terms if it is serious about seeking a role in the peace process.

The "PLO view", advocating peaceful coexistence between Israel and a Palestinian state, which was formulated by Mr Bassam Abu Sharif and circulated at the Algiers summit was a courageous attempt to do just that; it is believed to have widespread support among leaders in the Occupied Territories. It is frustrating, to say the least, that the PLO itself have not yet found the courage to endorse it.

New approach to prisons

IN MUCH of the public sector, the UK Government has questioned the need for higher spending; where cutbacks have not been practicable, it has at least sought to restrain the growth of expenditure. No such policy has been pursued in the case of prisons, where the burden on taxpayers has increased markedly in recent years. Indeed, the Government has claimed credit for embarking on the biggest prison building programme this century. Its aim is to build 26 new prisons by the mid-1990s at a cost of more than £1bn. This represents an increase in capacity of more than 40 per cent.

The rationale for higher public spending is, first, that existing prisons are chronically overcrowded - three men too often still have to share a cell that was built by the Victorians for one - and, second, that only government can supply and manage prisons. Both assumptions are being challenged. Critics on the right have argued that a partial privatisation of the prison service would be feasible. Those on the left have queried the logic of passively expanding the supply of prison places to meet the demand created by the sentencing policies of magistrates and judges. They urge the use of more non-custodial sentences, pointing out that Britain already sends more people to prison than any West European country except Turkey.

Green papers

In a tentative way, the Home Office is coming to terms with these arguments. Separate green papers, published recently address both non-custodial sentences and the possibility of allowing private companies to build and manage remand prisons. The Government now accepts that custody is not necessarily the most effective punishment for those convicted of less serious offences; it restricts offenders' liberty, but it also reduces their responsibility. It points out that if offenders retain their liberty they are more likely to be able to pay compensation to their victims and to make reparations to the community through useful unpaid work.

use of non-custodial sentences is impeccable. Prison is an effective way of protecting the community from dangerous criminals, but it rarely reforms characters. Indeed there is evidence that it turns young offenders into hardened and professional criminals. A study of young offenders discharged in 1982 showed that nearly 70 per cent had been reconvicted within two years. Prison, at £1,000 a month per inmate, is also an excessively expensive way of punishing minor offenders.

Privatisation

If the proposed policy is to get off the ground, however, the Government has to clear at least two hurdles. It has to convince the public - and especially Conservative backbenchers - that punishment in the community is not a soft option. This will not be easy. It is difficult to make combinations of fines, day centre attendance and community work look as unappealing as prison because, broadly speaking, they are not. The point is that they are cheaper and probably more effective in changing future behaviour. More important, ministers also have to find a way of influencing the sentencing policies of a decidedly independent judiciary.

Privatisation, by contrast, is a policy that the Government could implement. Several private sector companies have already expressed interest in building and managing prisons. The difficulties are ethical and practical. Many think that only crown servants should have powers to discipline and restrain fellow citizens.

Yet there is really any reason to suppose that a closely regulated private prison could not achieve at least as high standards as prevail in many public institutions today? There is at least a sporting chance that the injection of private sector money and expertise would lead to new and better ways of doing things. The right incentive structure might spur private prisons to make much greater efforts to rehabilitate inmates than is the case in the cash-constrained public sector today. The possibility of privatisation should certainly not be dismissed out of hand.

Ten days ago Trade Secretary Lord Young received the report of his two inspectors into the takeover in 1985 of House of Fraser, owners of Harrods. Its publication, due shortly, is expected to unveil a scandal that may prove highly embarrassing for the Government.

It could also bring to a climax the vituperative battle between the buyers, the Egyptian-born Fayed brothers, and R.V. "Tiny" Rowland, chief executive of Lorrho. A further consequence may be some reappraisal of Britain's arrangements for regulating takeovers, especially those from companies based in secretive locations such as Liechtenstein. For the authorities cannot allow Lorrho's noisy vendetta to distract attention from wider issues of public interest concerning the way in which control of major companies is allowed to change hands.

A useful point of entry into the Harrods saga is by way of the regulatory institutions, notably:

- The Department of Trade and Industry. Under the Fair Trading Act 1973 it is the Secretary of State who decides whether bidders should be subjected to an official inquiry. Since House of Fraser's assets exceeded the £20 million statutory threshold, it was eligible for investigation.
- The Secretary of State can refer bids to the Monopolies and Mergers Commission, the MMC, which enquires whether the merger would operate against the public interest. In 1984, Norman Tebbit, then the Trade Secretary, announced that references to the MMC would be made primarily on competition criteria. But the Act also allows investigation on other public interest grounds, including foreign ownership. This has been done where a bidder's possible lack of financial resources and management experience has caused concern, as in 1982 when Mr Alan Lewis's Isle of Man company Abels bid for textiles group Hillingworth Morris. The bid was subsequently cleared.
- The Director General of the Office of Fair Trading (OFT) advises the Trade Secretary whether to refer a bid and what to do when the MMC has reported.
- The Takeover Panel, which lacks statutory powers, is chiefly concerned with the detailed management of takeovers and the fair treatment of shareholders.

The OFT's involvement at House of Fraser started in 1984 when the Fayed brothers paid £138m for a 29.9 per cent stake owned by Lorrho - a spectacularly overpriced bid since Tiny Rowland never expected or wanted a bid to follow. The MMC had blocked an earlier bid by Lorrho and was investigating its stake at the time.

The Fayed brothers then launched their own offer for the stores group. The OFT did not request an inquiry and Mr Tebbit waved the bid through in just 10 days, saying it raised no competition issues. The Takeover Panel, meantime, was conscious that shareholders were happy. Within weeks the Fayed brothers - Mohamed, Salah and Ali - had transferred control of the stores group to Liechtenstein.

In persuading Kleinwort Benson to accept them as clients, the Fayed brothers have taken a key step towards credibility

How did these little-known Egyptians persuade the regulatory authorities to say yes to a bid for this highly visible, very British asset? A group whose flagships were Harrods? Enter top-flight City merchant bank Kleinwort Benson. In persuading Kleinwort to accept them as clients, the Fayed brothers had taken a key step towards credibility. For Kleinwort's

The House of Fraser takeover



Mohamed Fayed (left), Tiny Rowland and Norman Tebbit

The Fayed empire under scrutiny

By John Plender

soon proclaimed that the brothers came from an old established Egyptian family who for more than 100 years were shipowners, landowners and industrialists in Egypt.

Kleinwort's submission to the OFT listed a range of international businesses and referred to the brothers as "leading shipowners in the liner trade" and to their "ownership of 75 Rockefeller Plaza" in New York, one of America's more celebrated pieces of real estate, together with the Paris Ritz hotel.

Brian Basher of Broad Street Associates, the flamboyant PR man called in by Kleinwort, swung into action. Fleet Street was soon generating reports about fabulous dynastic wealth. Grandfather Ali's cotton had kept the mills of Lancashire turning in the last century; there was a shipping fleet carrying pilgrims and cargo round the Gulf.

When questions were raised about the Fayed's ability to finance a £615m bid, the Broad Street press releases carried stiff warnings that "the Fayed brothers are advised that any allegations that they are not acting on their own account are defamatory".

At the time John MacArthur, then a director of Kleinwort, told me in a television interview that the money came from the brothers' own resources, which stemmed from family businesses going back several generations. He added that "their net worth, from what I know, is several billion dollars" - despite not having seen any consolidated financial state-

ments of the Fayed's business empire. All this was good enough for the government, which announced that in deciding not to refer the bid it had relied on assurances given by the brothers and by Kleinwort Benson. But it infuriated the man whose ambition to own Harrods had been thwarted - Lorrho's Tiny Rowland. His lobbying scored a surprise victory just two months before last year's general election when the government conceded an inquiry.

Independent investigation by the Channel 4 programme "The Harrods Sale", broadcast on July 24, suggests that Tiny Rowland - notwithstanding his *parti pris* - was onto something. The programme argued that two crucial claims, which were accepted and advanced by Kleinwort, were false. Those claims concerned the brothers' family background and wealth.

Inquiries in Alexandria revealed that the brothers were brought up in the old customs area of the City, the down-at-heel Gomrok district. According to former friends and neighbours, their father was a teacher; their grandfather had been a villager in the Nile delta; those questions concerned the brothers' family background and wealth.

As for the business empire, detailed analysis revealed that the businesses listed by Kleinwort for the OFT were not quite what they seemed.

liner trade" owned just two roll-on, roll-off ferries and no cruise liners.

Genavco, the Fayed's principal British trading company at the time of the takeover, was a modest affair; it lost money in three of the five years to 1985; and in the other two together, total profits were less than £500,000.

Examination of the title deeds relating to 75 Rockefeller Plaza revealed that in 1985 the Fayed brothers did not own the freehold. The brothers had a lease which was heavily mortgaged; and the tenants, Warner Communications, had an option to buy the lease at any time between 1989 and 1991.

The Paris Ritz had been consistently unprofitable since acquisition. Investigations in Haiti - where Mohamed Fayed for a time had dealings with the unsavoury despot "Papa Doc" Duvalier - and in Italy, Switzerland, the United States and the Middle East revealed that the brothers were not a major international force in any of the areas mentioned.

By most standards, the Fayed brothers were wealthy businessmen. But these businesses could not possibly have generated the funds needed to buy House of Fraser - much less the claimed net worth of several billion dollars. Nor, clearly, could inheritance. So where did the Fayed's raise the wind? From the Sultan of Brunei, says Lorrho; not so, says the Sultan, who was once advised by Mohamed Fayed.

The formal documents stated that the bid was being financed from "the

existing resources and normal trading facilities" of the Fayed family. But the normal facilities of the businesses in Kleinwort's submission to the OFT could scarcely have been adequate to bridge the gap. The question, then, is whether substantial additional borrowings were raised to finance the acquisition.

Documents at Companies House relating to House of Fraser Holdings, the shell company through which the bid was launched, appear to lend support to this: both Swiss Bank Corporation and Samuel Montagu turn up there as lenders. By 1987 the company had no less than £588m of borrowings. Meantime the stores subsidiary's £45m profit fell short of more than £50m of interest payable on the holding company's debt. So the ability of the Fayed's other businesses to plug that income deficit now has an important bearing on the future fortunes of the stores group.

Yet the brothers' solicitors, Herbert Smith, have claimed in response to the Channel 4 programme that these borrowings were not financing the original acquisition, but resulted solely from a refinancing of funds previously provided by John MacArthur. The programme's producers were then directed to examine the shell company's interest liabilities to reduce tax. So the mystery deepens. All that can be said with certainty is that had more details of the Fayed's business and financing arrangements been revealed from Liechtenstein in 1985, the government would have had pause for thought. Especially in a climate that was to lead to the referral of Elders DL's subsequent bid for Allied-Lyons because of heavy borrowings.

Does it really matter if the Fayed's made false and misleading statements in a bid for a company that was scarcely vital to the British economy? Or that Kleinwort and John MacArthur unwittingly propagated them? In the public interest, control of leading companies clearly cannot be allowed to change on the basis of false information. And with the internationalisation of capital markets and Britain's openness to foreign bidders, signs of regulatory weakness would constitute an open invitation to some very unsavoury characters.

The failure was arguably more one of people and institutions than of the system itself. Prime responsibility for the statements, which violated general principles of the Takeover Code, lies with the Fayed. Yet Kleinwort Benson can hardly escape all criticism, especially in view of the reliance placed on its pronouncements by all involved: Government, PR men and press, meantime, were less than vigilant in the affair.

Tiny Rowland's lobbying scored a surprise victory just before last year's election when the government conceded an inquiry

Any criticism from the DTI inspectors will pose a dilemma for Trade Secretary Lord Young. Is it worth referring the bid to the Monopolies Commission, so opening up the possibility of a recommendation that the Fayed be forced to divest? The shareholders, after all, emerged with a good price. The underlying company is profitable, even if its net borrowings have increased more than threefold since the bid to £348m and several stores have been disposed of. Apart from the government, which has been made to look foolish, the main aggrieved party is Lorrho; but since Lorrho sold its stake voluntarily to the Fayed, it commands little sympathy.

There is no easy answer. But first, the inspectors must have their say. Channel 4's programme "The Harrods Sale" was made by Bob Productions and presented by John Plender.

The court of the Old Lady

Careful watchers of the Bank of England have observed, not smoke signals - that would be premature - but a gap in the hierarchy more, so to speak, at the Cardinal level, which is causing quite a frisson of excitement in Threadneedle Street.

The move of Mr David Walker, one of the executive directors to be Grand Inquisitor of the City, as the head of the Securities and Investments Board, has left the Court of the Old Lady with only two executive directors instead of the maximum permissible four.

The court, which is the Bank's supreme authority (once Mrs Thatcher), does not at present have an empty chair. However the normal cycle of retirement can be expected to create a vacancy by the end of the summer which can now be filled internally.

The youngest of the three most discussed for the job is Mr John Fleming, 47-year-old chief economist at the Bank. Another possible candidate is the 57-year-old Mr Fen Kent. He succeeded Mr Walker after a varied career which included a spell as head of the Bank's information office, which he ran like a Rolls Royce - so smooth that it was inaudible except to the Treasury. However Kent is a bit new in his present job for promotion to the court.

The other candidate is Mr Tony Coleby, 53, whose conduct of day to day monetary policy is well respected in the City. But perhaps Mr Coleby was a little too abundant with the truth in evidence to the Parliamentary Select Committee on the Treasury a few years back to be favoured now. So Mr Fleming is considered the likely man, not least because he already attends

OBSERVER

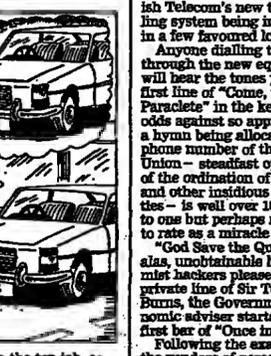
the court as a non-member. Fleming is very much an Oxford man, having been a fellow of Oriel as well as a fellow of Nuffield.

He still commutes from Oxford as he started to do in the mid-1970s when the then Governor of the Bank, Lord Fleming, asked him to be a special adviser, perhaps with an eye to future eminence. This was a decisive point in his life because he was obliged to withdraw his candidature for the Drummond professorship of economics. During those long hours while British Rail was getting him to Fiddington and back, Fleming scribbled out his book on inflation. It was originally designed for lay persons but, characteristically, Fleming couldn't resist adding complexities which, he admits, made it perhaps more suitable for the party initiated.

Since the Bank often likes to affect an Olympian view, it is perhaps suitable that Fleming has never been so strongly identified with the many schisms and doctrines in the economic world. Fleming himself has avoided being categorised, partly because of his Socratic style of discussion which delights in posing new questions rather than giving simple answers. Perhaps Mrs Thatcher, who advises the Queen on the appointment, will be in favour of someone who doesn't make things too easy for her Chancellor.

All Change

Another regular commuter on the Oxford to Fiddington journey, Dr Walter Eltis, is shortly to move from the job of economic director of the National Economic Develop-



ment Office to the top job, as director general. For Eltis, this will mean giving up his fellowship at Exeter College, which he has kept on during his two years' secondment to the economic job.

Even though Nedo has been sadly depleted in recent years with the permanent staff being cut by about 40 per cent, this is not much worse than the cuts inflicted on similar organisations, says Eltis with more philosophy than sadness. Indeed he should be philosophical. His 1976 book, "Britain's Economic Problem: too few producers", written with Robert Bacon, another Oxford economist, strongly advocated that public sector expenditures should be cut to make way for productive investment.

Rings a bell

While bishops debate homosexuality, the ordination of women and the correct attitude to polygamy, the Church Union, that august body founded in 1869 to "recall the

Church of England to her true catholic identity", proclaims its allegiance in a strangely modern form - thanks to British Telecom's new tone dialling system being introduced in a few favoured locations.

Anyone dialling this body through the new equipment will hear the tones play the first line of "Come, thou Holy Paraclete" in the key of E. The odds against so appropriate a hymn being allocated as the phone number of the Church Union - steadfast opponents of the ordination of women and other insidious modernities - is well over 10,000,000 to one but perhaps not enough to rate as a miracle.

"God Save the Queen" is, alas, unobtainable but (economist hackers please note) the private line of St Francis, Burns, the Government's economic adviser starts with the first bar of "Once in Royal..." Following the example of the vendors of personalised car number plates, British Telecom could surely raise a smile for its shareholders by selling its more tuneful and significant phone numbers. How about 888 3666 (the opening bars of Beethoven's Third Symphony) as a start?

Quite a card

Mr Victor Gerushenko, the Soviet Union's first deputy chairman, took delivery over the weekend of a three foot by five foot Eurocard, following a signing ceremony between his bank, the Vnesheconombank, or Bank of Foreign Economic Affairs - and the Eurocard/Surochegne and Mastercard organisations. The deal cost a special light on perestroika. Cards are based on one's position in the class hierarchy. Gold cards, as the company puts it, are "custom made to the lifestyles and financial needs of affluent customers" and silver cards "to meet the individual needs of companies".

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LETTERS

'I, for one, felt safer in the old days . . .'

From Mr F.J.H. Finlay. Sir, It has been clear, since the Securities and Investments Board (SIB) first announced its proposals for a compensation scheme, that investors on the London Stock Exchange using a member of the exchange to handle their investments would be less well protected under the new arrangements than under the old. It was also clear that if stockbrokers were going to have to pay substantial amounts for the new scheme, they would not be happy to carry on paying for the old one.

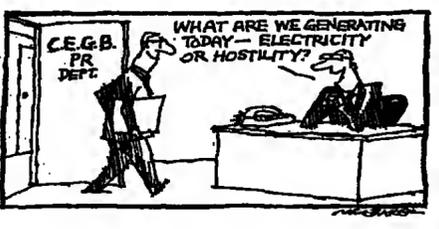
registering every holding in a different name. The US market went this way a long time ago; it is not uncommon in the US to find a substantial list rate additional charge to have investments registered in your own name. This is a development to be welcomed; it is more efficient, and will enable brokers to continue providing a more economic service. However, it increases the risk of the client who, if he/she uses it, is exposed to broker risk not just on the outstanding bargains but on the entire portfolio.

The SIB should, however, re-think, so that ultimately the Stock Exchange need not do this. If an investment firm collapses in this modern world it is ultimately the responsibility of the SIB which, through a chain of self-regulating organisations (SROs), has authorised it to carry on business. If the capital adequacy requirements are properly designed, honest firms will not collapse. That leaves the risk of fraudulent players - which SRO audit teams must be trained to detect. If a compensation scheme cannot compensate investors in a fraudulently managed company which even the relevant SRO did not identify, then there seems little point in having this entire self-regulatory edifice.

I, for one, felt safer in the old days, when I put my money with a stockbroker ultimately backed by a responsible Stock Exchange. Fabian Finlay, 9 North Audley Street, W1

Small means business-like

From Mr P.A. Rowe. Sir, Charles Batchelor (July 20) reports on further calls for the imposition of statutory interest on trade debt. What a pity that we should have to hear this sterile claim again when the Government, supported among others by the Confederation of British Industry (CBI) and the Institute of Directors, has just issued its useful booklet "Prompt Payment Please", which gives sensible, practical guidance on overcoming the problems of late payment.



Electricity and the environment

From Mr Jon Parker. Sir, One area that your editorial, "Unsolved issues in electricity" (July 21), fails to address is how environmental requirements will be catered for after privatisation. This is a surprising oversight. Cive Cookson's thoughtful analysis of the greenhouse effect (London, July 14), and your thorough survey on care of the environment (July 19).

Most environmental issues, such as acid rain and decommissioning of redundant nuclear plant, exist now, prior to privatisation. There obviously needs to be a strong regulatory framework to ensure that private companies cater for these problems adequately. It is also likely that new environmental problems will arise in the future. There are questions of land use, as private companies are likely to prefer smaller scale and more numerous generating plants (Max Wilkinson, July 1). There is likely to be a dramatic increase in open cast coal mining, which is far cheaper than deep mining, to feed an electricity industry intent on lower costs. But will the privatised industry pay the full environmental costs of scarring the landscape?

Delay cuts both ways

From Mr Martin Harkins. Sir, Mr Harkins' back page (July 25) carries the headline "British end of tunnel falls behind schedule". What purpose do you serve by hiding - in nearly four paragraphs of pejorative and unpatriotic self pity - the fact that our friendly French collaborators have fallen three times further behind, and are paying the penalty for it?

Cheaper ways to get advice

From Mr Eric R. Goldberg. Sir, Richard Waters mentions (July 26) the independence issue arising as a result of accountancy firms moving into corporate finance. Another point worth making is the fact that our stock exchanges do not necessarily like their auditor to know too much detail about their business. There is plenty of room for independent corporate finance boutiques which do not attract the high level of public interest by merchant banks and large accountancy firms. Why pay for an expensive audit just to obtain quality corporate finance advice?

Call collect

From Mr Andy Green. Sir, Far from being left behind in producing "collectable" Phonocards (Observer, July 27), British Telecom produced its first national, commemorative Phonocard, depicting the Christmas lights in London's Regent Street, more than six months ago.

Privatisation is also likely to bring environmental issues to the fore. Electricity supply companies will probably prefer to invest in generation of electricity from gas, which has carbon dioxide emissions substantially lower than coal and oil (Jonathan Stern, Letters, 20 July). Options such as renewable energy and, most significantly, energy conservation, would be far less risky investments than nuclear power, both financially and environmentally, and would reap dividends for the environment (Andrew Warren, Letters, July 20).

Then the artist will be beholden to nobody. Michael Shelly, 125 Whitfield Street, W1

Diversion: arts funding

From Mr Michael Shelly. Sir, How about this for arts funding. Extend the copyright law for another 25 years after an author's death and let all the money accumulated go into an Arts Fund.

Music to exporters' ears

From Mr Peter Dodd. Sir, To many of us in the shipping business the news of the proposed development of the Isle of Grain site by Highland Participants is pure music.

However, reducing port handling charges alone is not the whole answer. Dare I suggest that the management of this new venture puts the savings and pilots out to international tender? At the same time, would this not be an opportunity for both management and Government to loosen the stranglehold of various authorities, and do the same with navigation aids, thus reducing the burden on ship owners of light and consultancy fees?

Evaluating child abuse evidence

From Mr Felix Hetherington. Sir, One aspect of the Cleveland child abuse inquiry which has escaped comment concerns the part played by lawyers in cases of suspected abuse. It is a key recommendation of the report that in complex cases, the case conference chairman must be able to call upon the attendance of a qualified lawyer to assist in the evaluation of evidence.

Depletion of forest resources will accelerate

From Mr Michael Paterson. Sir, The colourful description of the rapidly diminishing Philippine rain forests in Richard Gourey's article (July 20) is in no way misleading, but it provides little analysis of the causes of the malaise.

Depletion of forest resources will accelerate

and in the Philippines this is resort to even faster - and often illegal - logging practices. Finally, where the concessions are controlled by an individual, employees are often recruited more for their loyalty than for their efficiency.

So forest resource is wasted and efficiency is hindered. Many frustrated but excellent Philippine forest product technicians now work in the timber industry in the US, in yet another manifestation of the disastrous third world brain drain.

The solution seems to me (I have laboured hard and long in the Philippine forest products industry) to be in the role model provided by publicly quoted multinational forest product companies operating in the US, Canada, Scandinavia and New Zealand. These com-

panies manage the environment pay taxes, employ large numbers, economise the resource through efficiency and replanting, and maximise long term earnings which are attributed high multiples in their share prices.

FOREIGN AFFAIRS



When 'nitty gritty' is not enough

For General de Gaulle, the late President of France, and Jean Monnet, the visionary, but also highly practical inspirer of European unification, read Margaret Thatcher, Prime Minister of Britain, and Jacques Delors, President of the European Commission. Thirty years on, the protagonists have changed, but the debate is still the same: whether Europe should be a loose grouping of nations or whether it should have an integrated, federalist structure in which most decisions will be supranational.

dimension to the problem, with many decisions, other than the sensitive matters of indirect tax harmonisation and free movement of persons, subject to qualified majority voting. The number and range of Community decisions has time steadily increased and it is difficult to see how the process can be halted. Mrs Thatcher herself recognises that "there are some things which it is better that we do together... because we're more powerful if we do them in this way." But the demarcation line she draws

Robert Mauthner assesses the British Prime Minister's stance on a united Europe

between the areas in which the Community and the national governments should have the decisive word is entirely arbitrary. To many people's surprise, there was hardly an anti-Europee deep from the Government when, under the Community's competition rules, the Commission reduced by 25% the amount of state aid that the Rover Group would be allowed to receive as a condition of its takeover by British Aerospace. Yet any suggestion that there should be a harmonisation of indirect taxes in the Community, in the interests of freer trade between the member countries, is met with an indignant refusal by the British Government. The adoption of 300 or so measures to complete the Community's internal market has added a new

European Coal and Steel Community, the most imaginative, idealistic and committed "Fathers of Europe", Robert Schuman and Jean Monnet.

Schuman and Monnet, in spite of their practical approach to European unification through concrete economic achievements, were not frightened to speak about the ultimate political aim of a United States of Europe, even though they probably could not have satisfied Mrs Thatcher's demand to define such an organisation in anything but general terms.

Despite the industrial subject matter, the European Coal and Steel Community was a highly political venture. By pooling the heavy industries of West Germany and France, the founding fathers wanted to make sure that there would never again be another war between the two principal continental European powers. European unification was a means of defining national military and political rivalries while, at the same time, promoting economic competition, and hence of the six founding member states have forgotten that original motivation for their common enterprise.

Significantly, the Conservative government led by Harold MacMillan (the late Lord Stockton) which first applied for membership in 1961, constantly underlined the political reasons for joining the European Community. These, clearly, resurfaced a commitment which went rather further than the present Prime Minister's purely Gaullist objective of "separate countries working together".

Mrs Thatcher is probably entirely convinced by her ritual incantations about loss of sovereignty and national identity, though others are more struck by the inconsistencies of her approach to a European Community, which she clearly has no intention of leaving. Mrs Edith Cresson, the French Minister for European Affairs, summed up this view in her reaction to the Prime Minister's latest outburst on the subject: "We are used to the vigorous statements of Mrs Thatcher," she declared. "In general, when Europe progresses, Mrs Thatcher jumps on the train."

That may be so, but instead of consistently underlining the limitations of European unification, one would like to see the Prime Minister embark on the European train with a much more positive attitude. To display so little enthusiasm for its political potential not only loses Britain a lot of friends in Europe, but deprives the Community of the momentum for its future development.

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INTERNATIONAL COMPANIES AND FINANCE

Amoco clears last Dome hurdle

The thoughts of Scottish-born Mr Howard Macdonald, chairman of Dome Petroleum, are beginning to stray to his home in the UK stockbroker belt as the protracted tussle over Amoco's takeover of his company appears to be drawing to an end.

The recent endorsement by the Alberta Court of Queen's Bench of Amoco Canada's C\$5.5bn (US\$4.6bn) takeover plan for the debt-laden Calgary energy company removed the last major hurdle blocking the proposed merger.

Amoco now expects to close the deal by the end of September. This would conclude what has become a particularly tortuous corporate coup opera and leave Mr Macdonald free to return to home in the south of England.

The court ruling ended 15 months of legal wrangling in which - slowly but surely - secured and unsecured creditors, a large majority of shareholders and the Canadian Government have been persuaded to back Amoco's offer.

Since Dome's main lenders persuaded Amoco last November to increase its original C\$5.1bn bid, the two parties have endured a series of court challenges by shareholders claiming more money or a stake in the new company.

According to some estimates, overall legal costs have averaged C\$4m a month since April 1982 when the takeover agreement was struck.

Technically, the judge's decision is subject to appeal and indeed may be challenged by Mr Abdulrahman Frenji, a businessman, who claims to have made a higher offer than Amoco for Dome.

In addition, a troublesome outstanding C\$400m loan, which the lenders - Japan's Arctic Petroleum - are unwilling to write down, could still scupper the proposed takeover. Realistically, however, few expect Amoco to be thwarted.

Under the terms of the deal, secured creditors (who are owed C\$3.4bn) will receive 85.4 cents for each dollar due to them, while unsecured creditors (owed C\$2.1bn) will have

located on properties where Dome has an interest. The acquisition will significantly increase the importance of natural gas to Amoco, transforming the Chicago-based parent company into the richest holder of natural gas reserves in North America. After the deal is completed, the corporation's reserves will consist of some 52 per cent natural gas and 48 per cent oil. This compares with a ratio of 40 per cent gas to 60 per cent oil 10

years ago. In total, Amoco will be buying 212m barrels of oil and three trillion (million million) cu ft of gas in proven reserves. In the longer run, however, Dome's most valuable asset may prove to be its vast 11.4m-acre undeveloped land holding. Amoco, which is shortly to move to new premises in Calgary, is essentially banking that these properties will yield significant marketable reserves. Dome's drilling programmes have for several years been impeded by its debt problems.

The C\$5.5bn takeover of Canada's largest energy group is now expected to be completed by the end of September, after more than 15 months of legal wrangling, writes DAVID OWEN, recently in Calgary

It will be some time before Amoco knows whether its gamble has paid off in the meantime. Mr Don Stacy, Amoco Canada president, has indicated that the company expects to raise about C\$1bn from property and investment sales. These would include the disposal of Dome's 8 per cent stake in Fincor Dome, the largest western world gold producer

As part of the price for securing government approval of the deal, Amoco has guaranteed that it will allocate at least C\$2.5bn to capital spending over the next five years and has pledged to keep layoffs to a minimum. Several senior Dome executives, in addition to Mr Macdonald, are known to be leaving, however. Amoco has also promised that 28 per cent of Amoco Canada's voting stock will be made available to Canadian investors in a series of offerings which would begin within five years of the completion of the Dome purchase. According to Mr Stacy, the new company's debt would total some C\$4bn, but he expects the level of debt to fall quickly.

The delay is approaching the deal, while waiting for each parties has at least given them the opportunity to consider thoroughly the consequences of joining forces. For more than a year, countless bilateral committees have been preparing the ground. "We are ready to merge with a high level of understanding between the two parties," is the view of Mr Macdonald. The takeover will complete the demise of a 39-year-old company which was undone by too many debt-financed acquisitions and the end of ownership in the oil market which resulted in a fall in oil prices. In retrospect, perhaps the biggest single blunder was the C\$6bn purchase in 1981 of Hudson's Bay Oil and Gas. According to the company's latest quarterly report for the period ended March 31, Dome's overall liabilities have now reached C\$6.6bn.

Pullman in \$650m buyout

By Our Financial Staff

THE PULLMAN Company, a leading maker of truck trailers, has agreed to a \$650m buyout by Forstmann Little & Co, a private US investment firm. An earlier agreement for a takeover by a management-led group has been dropped. The pact involves a cash payment of \$9.25 a share for Pullman's 41.9m outstanding shares, plus the assumption of existing debt and expenses which will bring the total price of the buyout to about \$650m. The transaction is fully financed and is not subject to a financing condition.

The buyout was conditional on Pullman terminating its earlier agreement for a \$7.75 a share buyout by a group led by Thomas M. Beigel, the company's chairman and chief executive, and Henley Manufacturing. Pullman's biggest shareholder with 9 per cent of the company's shares. Mr Beigel said Pullman employees would be provided with "new opportunities," given Pullman's new connection with Forstmann Little. "We also believe that Forstmann Little's very attractive low cost capital will provide Pullman with substantial operating flexibility."

Printworker magazine fired over

R.R. DONNELLEY & Sons has fired one employee at its Old Saybrook, Connecticut printing plant and suspended another as a result of its investigation into a two-million-dollar stock activity linked to Business Week magazine articles, AP-DJ reports from Chicago.

Donnelley also said it had suspended an employee in its Torrance, California, printing plant in connection with the investigation. The employees were identified.

The move came after a production worker at the Connecticut plant admitted furnishing advance copies of Business Week's Inside Wall Street column to a hedge fund manager with Merrill Lynch & Co's New London, Connecticut office. Last Friday, Prudential-Bache, the Wall Street investment firm, fired one broker and advised a smaller broker, suspended a second in connection with advance leaks of Business Week stock tips.

Wessanen in US acquisitions

By Our Financial Staff

WESSANEN, the big Dutch foods processor and distributor, has acquired two distributors of health foods products in the US for an undisclosed price. It purchased Gourmet Foods, of St Paul, Minnesota, and Award Foods, of Dallas, from their unidentified sole shareholder. The two US companies produce and market a wide range of branded health food products and organic delicatessens in the midwest and southwest US.

Their consolidation into Wessanen's annual accounts will have "a favourable" impact on the Dutch parent's annual earnings as well as worldwide sales. The acquisitions are in line with Wessanen's stated intention of expanding internationally, notably in the US, where the company already derives about 35 per cent of its F1 2.7bn (\$1.75bn) a year in worldwide sales.

Dutch foods and consumer products groups, such as Wessanen, and retailers Abol and Vender International have built up a large presence in the US market in recent years. Wessanen said Gourmet Foods and Award Foods have combined annual sales of around \$60m and together employ 280 workers. The two companies will be merged into Wessanen's Trade of Life health foods distribution division of its Wessanen USA subsidiary.

IBM's new range in demand

By Hugo Dixon

INTERNATIONAL Business Machines' strategy for redefining its share of the market for mid-range computers is proceeding better than expected, according to a senior executive at the world's largest computer company. In June, IBM launched a new line of mid-range computers - the AS/400 - with the aim of fighting back at rival manufacturers such as Digital Equipment of the US, which has been particularly aggressive in this sector of the market. Mr Bill Grabe, who was in

charge of the worldwide AS/400 range, said in London yesterday that orders for the new machines were running ahead of expectations and many customers were ordering machines from the more powerful end of the range. Mr Grabe said 80 per cent of the orders were for the more powerful varieties, compared with the 40 per cent that the company had expected. Most of the orders would turn into actual sales, because over 80 per cent of customers had said

they wanted the new machines delivered this year. The strength in demand for the more powerful machines meant that there might be a three to six months delay in the delivery of some peripheral equipment, Mr Grabe said. However, he was confident that IBM would be able to satisfy demand for basic units. Europe is generating more orders than any other region, the first time Europe has been the largest market for one of IBM's main products.

Rising costs hit Gould profits

By Our Financial Staff

GOULD, the US computer and electronic products group, saw second-quarter earnings decline as lower results from its electronic systems and higher net interest expenses offset progress elsewhere in the group. Second-quarter net operating earnings came out at \$6.8m or 15 cents a share, compared with \$11.2m or 25 cents, last time. Revenues advanced to \$196.4m from \$189.8m. At the halfway stage net

operating earnings were down at \$17.7m or 39 cents, against \$18m or 43 cents, on revenues of \$403m, up from \$373m. The year-to-date earnings included dividend income from preferred stock and a gain from the sale of real estate, both non-recurring items. Gould said the decline in information systems revenue and earnings, which make up the electronic systems segment, was primarily the result

of softness in domestic computer demand. The instrument systems segment, however, recorded higher earnings on increased revenue while similar progress in the electronic components segment mainly reflected a significant improvement in the semiconductor business. The company said new orders in the second quarter were \$205.1m, about 14 per cent higher than the \$180.3m in the 1982 second quarter.

Provigo in Californian deal

By Robert Gibbons in Montreal

PROVIGO, Canada's second largest food distributor after the Weston group's Loblaw, is buying 15 California supermarkets from Lucky-Alpha Beta. The price was not disclosed but it is estimated to be around US\$30m. Lucky-Alpha Beta, which was created following the takeover of Lucky Stores by American Stores, the third largest US food retailer, in May. Lucky operates about 600 supermarkets the majority of which are in California. Provigo has for several years

been trying to expand an existing wholesaling operation in northern California into retailing, and analysts had feared it might attempt an acquisition difficult to digest. However, early this year Provigo made clear it would move step by step and bought 11 supermarkets in San Francisco for an estimated US\$25m. The two retail acquisitions represent retail sales of around US\$250m. Together with the wholesaling operation and retail services to independent

operators, Provigo's total food distribution volume in California will be about US\$650m, and it is expected to make further small acquisitions. In its latest year Provigo earned C\$67.22m (US\$52m) or 30 cents a share on total volume of \$4.6bn. Glaverbel of Belgium, in partnership with a Canadian group, is to build a C\$140m flat glass manufacturing plant near Quebec city with capacity of 500 tonnes daily and due onstream in 1990.

NORTH AMERICAN QUARTERLY RESULTS

AVON PRODUCTS	1982	1983	1982	1983	WESTERN UNION	1982	1983	1982	1983
Revenue	752.9m	640.2m	2.7%	1.7%	Revenue	25.0m	27.0m	2.0%	2.0%
Op net income	37.0m	36.2m	0.2%	0.2%	Op net income	13.1m	13.0m	0.1%	0.1%
Op net share	0.53	0.52			Op net share	0.48	0.48		
Six months	1.42m	1.19m			Six months	379.9m	360.0m		
Op net income	44.8m	43m			Op net income	15.3m	15.2m		
Op net share	0.63	0.70			Op net share	0.49	0.49		
NET ASSETS					NET ASSETS				
Fourth quarter	\$	\$			Fourth quarter	\$	\$		
Revenue	1.82m	1.7m			Revenue	62.5m	62.5m		
Op net income	103.3m	95.8m			Op net income	5.5m	5.5m		
Op net share	1.11	1.21			Op net share	0.08	0.08		
Year	6.92m	5.92m			Year	1.59	1.63		
Revenue	26.2m	26.7m			Revenue	1.75m	1.64m		
Op net income	14.8m	14.8m			Op net income	1.59m	1.47m		
Op net share	6.30	5.90			Op net share	2.32	2.09		

INTERNATIONAL COMPANIES AND FINANCE

Unprecedented battle of La Suisse suitors

John Wicks reports on the continuing fight over a Lausanne insurance company

LAST WEEK'S announcement of an increased bid for La Suisse, the Lausanne insurance company, by Mr. Tito Tettamanti's Saurer-Gruppe Holding means the continuation of an unprecedented battle on the Swiss stock market.

The latest in a round of public offers, this represents a price of Sfr672m (\$433m) if all shares are acquired - a sum well in excess of La Suisse's gross annual premiums and more than 23 times the expected 1988 earnings.



Tito Tettamanti: logical consequence of expansion

between Sfr12,800 and Sfr13,200, a figure which complies with the Swiss theory that insurance companies' premium income per share is close to material assets value.

also feels shares a corporate philosophy. It is not yet clear who will win the day. La Suisse's board continues to back the Swiss Life bid despite Saurer's having topped the ante and the fact that Swiss Life has said Sfr12,000 is its last word.

Sulzer buys Bingham for \$60m

SULZER, the Swiss equipment company, is pushing into the US pump market, following its purchase of Bingham International, a large US pump manufacturer. The acquisition is a further piece of consolidation within the industry.

Agache to boost LVMH position through Dior

MR BERNARD ARNAULT, chairman of Financière Agache, is on the point of reinforcing his position in Moët-Hennessy-Louis Vuitton LVMH, the champagne, cognac and luxury goods conglomerate which still seems to be suffering from internal rifts.

The operation will release more than FF200m, on top of the FF220m Mr. Arnault still retains, and could be used to increase the Agache stake in LVMH. Those close to the deal believe Mr Arnault wants to be ready to buy in case any of the Moët-Hennessy or Vuitton founding families decides to sell.

group managing director, and Mr Arnault. Mr Racamier, who has continued to express his worries about an eventual takeover of LVMH's drink interests over its luxury goods operations, refused the chairmanship of the supervisory board, which is, none the less, expected to be chaired by a Vuitton representative.

Baer income exceeds target

BANK JULIUS Baer, the Zurich-based bank, has forecast a "satisfactory" 1988 result after reporting that income in the first six months exceeded its "ambitious" budget target. It disclosed no profit figure.

Philips ups control on US unit

PHILIPS, the Dutch-based electronics group, yesterday announced a further tightening of control over its North American Philips (NAPC) subsidiary, which is beginning to recover after some years of struggling against intense competition.



Gerit Jeelof: new chairman

electromechanical products, tooth brushes and medical brushes, cable television systems, home products and orchestra instruments. Consolidated Electronics will be a wholly owned subsidiary of North American Philips with its own management structure, headquarters and board of directors. It will operate separately from North American Philips, both legally and financially.

QUARTERLY DIVIDEND

50c per common share PAYABLE: SEPTEMBER 15, 1988 RECORD: AUGUST 19, 1988 DECLARED: JULY 27, 1988

HALIFAX BUILDING SOCIETY 150,000,000 Floating Rate Loan Notes Due 1996 (Series A)

Ical shuns rival's A\$53m bid

THE BATTLE for control of Australia's strategic naval shipbuilding capacity took another turn yesterday with directors of Ical, formerly an offshoot of the UK-based International Combustion group, strongly rejecting a A\$53m (US\$42.7m) bid.

leaves few shares "in play." But in a complication to the long-running saga, Transfield is under a court order to sell its Ical stake down to below 20 per cent.

and after 100 per cent control was achieved Jonray would be delisted. Poseidon, former nickel boom high-flier, has altered the terms of its A\$63m paper bid for Anglo American Pacific, to win acceptance from Anglo's parent, Anglo American group of South Africa.

GOTHENBURG & WEST OF SWEDEN

The Financial Times proposes to publish this survey on: 16th September 1988 For a full editorial synopsis and advertisement details, please contact: Chris Schanning on 01-248 8000 ext 3699 or write to him at: Bracken House 10 Cannon Street London EC4P 4BY

THORN EMI plc has acquired the assets of FTS Incorporated The undersigned initiated this transaction and acted as financial advisor to THORN EMI plc C. J. Lawrence, Morgan Grenfell Inc. New York MORGAN GRENFELL

TNT The Worldwide Transportation Group \$175,000,000 TNT Pacific Finance Limited 9% Guaranteed Subordinated Convertible Bonds Due 1998 Unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion bonds issued by and with conversion rights into Ordinary Shares of TNT Limited

PENNINE RESOURCES PLC (Registered in England Number 1512221) Introduction to the Third Market of 15,300,000 Ordinary Shares of 25p each and 136,200,000 A Ordinary Shares of 1p each.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Liffe gives taxman a muted cheer

Dominique Jackson on Revenue guidelines for futures and options

A muted cheer rather than a rousing welcome has greeted long-awaited Inland Revenue guidelines on the taxation of financial futures and options.

Many UK pension funds, insurance companies and unit trusts had been awaiting a statement of practice from the tax authorities before moving to increase their use of futures and options.

Since last October's equity crash, the market has been far more risk-aware and, despite an inevitable post-crash setback, institutional interest in derivatives is now increasing dramatically.

However, while the statement has wiped away much of the definitional fog obscuring the tax treatment of futures and options transactions, many market participants still believe that the UK authorities could do far more to support the continued development of London-based derivatives markets.

A widely held goal is to have futures and options accorded symmetry of tax treatment with the securities and instruments which underlie them - a step which many point out would greatly simplify the whole taxation process at the same time.

However, a combination of bureaucratic red tape and persistent suspicion about the use of derivative products is likely to delay this development and could conceivably drive the markets offshore or to rival

European financial centres in the interim. Since the derivatives markets first started in London - traded options a decade ago and financial futures trading in 1983 - UK institutions have held back from large-scale participation. This was largely because the distinction between hedging transactions - considered capital in nature and thus tax-exempt for the institutions - and speculative trading, which would be liable to income tax, remained unclear.

The blurred distinction between hedging and speculation arises to some extent from early associations between futures and options trading and gambling. In West Germany, although futures and options trading is scheduled to commence next year, the development of derivatives markets has been markedly slowed by uncertainties over the potential infringement of gaming laws.

Several UK market bodies, ranging from the London International Financial Futures Exchange, the Stock Exchange and the main traded options brokers to the National Association of Pension Funds, have waged a long campaign for clearer rules in line with the fairly straightforward guidelines currently in force in central places such as Paris and Amsterdam.

After more than two years of talks, the tax authorities' statement effectively delineated where the Revenue stands on the more visible areas of derivatives trading. It gives a definition of a hedging transaction and lists other transactions which are likely to be regarded as capital in nature.

"It is most welcome to see some kind of response from the authorities," commented one senior fund manager. "This finally clarifies their position on hedging and will no doubt open the way to more efficient risk management for many institutions." Up to now, insti-

tutions have not generally participated on a regular basis, and, if so, have usually concentrated on one or two specific products. Few institutions employ derivatives specialists, although this could change now their tax position is somewhat clearer.

The Revenue's statement offers a number of examples to illustrate transactions which might be treated as giving rise to capital gains and losses. These include: buying a foreign currency future before the purchase of an asset denominated in that currency or the purchase of an option in respect of an underlying asset as the first step towards acquiring the asset itself.

Investors in gilts or in the stock market may sell gilt or index futures to safeguard the value of their capital investment against a drop in the cash markets. Nevertheless, there are still some grey areas left untouched upon in the new guidelines, according to Mr Michael Jenkins, Liffe chief executive. "There is no mention, for example, of arbitrage.

It is precisely these types of anomalies which continue to give many fund managers and futures and options traders cause for concern.

Mr Quintin Price, head of options research at James Capel, applauded the latest Revenue guidelines as a very positive step but added that further changes in the tax treatment of derivatives were vital in order for the industry to remain competitive in Europe and provide the European base of a global trading axis.

Mr Ho said that strategic moves had been made in order to diversify the company's activities. A joint venture has been formed with a Taiwanese partner to run a ferry service between Macao and Taiwan, starting later this year.

Shun Tak has also formed a joint venture data processing service after buying a stake in Semi-Tech Microelectronics

(Far East), in addition to purchasing land on Hong Kong island for the development of a luxury apartment block.

After last October's stock market crash Shun Tak cancelled a planned rights issue. Mr Ho said that 66 per cent of the warrants issued instead have now been converted into Shun Tak equity, providing the group with surplus funds of more than HK\$455m.

Shun Tak, which is headed by Mr Stanley Ho, the casino owner, ferries passengers to and from his casinos in the gambling haven of Macao. The jump in profits largely due to heavier jetfoil traffic following the relaxation of immigration requirements allowing travel to Macao using only a Hong Kong identity card instead of a passport.

Some 3.8m passengers were carried by Shun Tak jetfoils during the half year.

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Japan Air Lines plans Y100bn share offer

By Our Financial Staff

JAPAN AIR Lines, which last month announced plans to buy 15 Boeing 747s for around \$2bn, is to raise some Y100bn (\$750m) through a public issue of equity shares.

Together with a scrip issue, the airline is to offer 7m shares for public subscription next month. The shares, which closed at Y210 yesterday at Y14,400, will be priced in line with market prices on August 23.

JAL, which moved back into profit last year, said the share issue was aimed at improving its financial structure. It said the financing would lift shareholders' equity to 33 per cent from the present 16 per cent.

The issue represents JAL's first attempt to tap investors in the Tokyo stock market following December's privatisation issue, which saw the Japanese Government put some \$5bn worth of JAL shares on to the stock market via the sale of its residual share stake.

After a period of losses, the airline last year showed group net earnings of Y19.4bn following an 11 per cent increase in revenues. It paid its first dividend for three years.

India to launch \$100m fund for US investors

By R.C. Murthy in Bombay

INDIA IS to launch a \$100m mutual fund, India Growth Fund, which will allow US residents to invest in Indian securities. The fund, to be managed by Merrill Lynch and Nomura Securities, will be listed on the New York Stock Exchange. It will be closed ended and 80 per cent of funds will be invested within Indian equities.

The manager Unit Trust of India (UTI), the country's largest mutual fund group, India Growth is its second international fund: the first, the \$75m India Fund, was launched from the Channel Islands two years ago.

Indian stock markets are not directly open to foreign investors. The market capitalisation of the country's 15 stock exchanges is around \$21bn.

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Secondary trade on hold as holiday season arrives

By Dominique Jackson

FORTECOMING US economic data and Centennial holidays combined to subside sentiment in the Eurobond market yesterday. Secondary trading was minimal and confined to professional dealing ahead of today's figures for US leading indicators in June and the Bank of England's announcement of the terms of the anticipated short-dated gilt auction.

Both the gilt-edged and Eurobond markets saw thin business ahead of today's data. The auction of 10 to 21bn of new gilts, after which market makers will be able to deal in the new stock on a when-issued basis. Dealers reported extremely low volume in gilt futures on the London International Financial Futures Exchange and the pound's slow performance on the foreign exchanges offered no trading incentives.

These factors made for an extremely quiet first day for Nomura's new gilt market making subsidiary, which finally opened for business yesterday.

"We have crept in quietly and intend to spend our first few weeks steadily building up a base of seven-year maturity. Research indicates that demand for gilts from Japanese investors, who already reportedly hold around 6 per cent of outstanding stock, will be healthy. However, volume will take time to build up," he added.

Current subdued market conditions could change with the announcement of the auction terms. Short-dated yields have now fallen under 10 per cent, way out of line with money market rates. Dealers were divided as to whether the Bank of England would opt for a six or seven-year maturity for the new stock but said the coupon would be around 9 per cent or higher.

Trading in the US dollar denominated bond markets was also quiet with dealers awaiting tomorrow's details of the Treasury refunding and Friday's US unemployment report which will furnish the primary economic data from July.

The primary markets were also quiet. Salomon Brothers International launched TMC Mortgage Securities No. 3, a \$300m floating-rate note with a final maturity of 2018 and an average expected life of 7.2 years. The par-priced issue will pay interest at a rate of 3 3/4 basis points (hundredths of a percentage point) over the three-month London interbank offered rate for the first 10 years and thereafter a margin of 50 basis points. The issue features a call option after five years at par.

The lead manager said the issue was seeing good demand and traded within a margin of 10 to 15 basis points. He commented that each successive new mortgage-backed issue appeared to meet a better reception than the last as investors became more familiar with the product. Liquidity in the sector is also improving with substantially more active trading and switching between seasoned securities and into new paper now seen.

The Japanese equity warrant sector remained quiet as the lead manager's temporary moratorium on new issues appeared to hold up. New Japan Securities fixed the terms on its recent five-year issue for electrical retailer Matsuyama with the coupon set at 4 1/4 per cent, as indicated.

In West Germany, Hypo-Bank led a DM100m five-year issue for its own Luxembourg-based financing outfit, Hypobank International. The deal, at 5 1/4 per cent and 100%, was thought to be largely pre-placed within Continental retail accounts and not expected to trade widely.

The secondary D-Mark bond markets were subdued, partly due to a public holiday in neighbouring Switzerland and the absence of major vacation. Both domestic government bond and Eurobond prices finished the day narrowly mixed. Some dealers expected the new federal government bond to emerge later this week, possibly carrying a 6 1/4 per cent coupon and paying a yield around 3 1/2 per cent. However, many thought that a yield of around 7 per cent would be needed to assure a favourable reception.

NYSE program trading move

THE New York Stock Exchange plans to report program trading activity on a half-hourly basis by the end of this year, Kester reports from New York.

The NYSE aims to provide prompt disclosure of the percentage of program volume and system traffic.

The NYSE had previously announced that, beginning with July data, it would release a monthly analysis of program trading, of which it will disclose total program trading in all markets, program trading as a percentage of NYSE volume, NYSE program trading by category, and aggregate NYSE principal and agency program trading.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 1

Table with columns: COUNTRY, E, STG, US \$, D-MARK, YEN (100), and various bond details like issue size, maturity, and yield.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) for some key currencies on Monday August 1. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Table with columns: COUNTRY, E, STG, US \$, D-MARK, YEN (100) and exchange rates for various countries.

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Central bank rate; (e) Exchange rate; (f) Financial rate; (g) Export rate; (h) Non-commercial rate; (i) Business rate; (j) Buying rate; (k) Lumpy goods; (l) Market rate; (m) Official rate; (n) Preferential rate; (o) Convertible rate; (p) Parallel rate; (q) Selling rate; (r) Tourist rate; (s) Some data supplied by Reuters; (t) Monday August 1 1988

TRADE INDEMNITY CREDIT RISK MANAGEMENT SERVICES 01-739 9939

UK COMPANY NEWS

Farmers to contest bid clearance

By Nick Sunkin

FARMERS GROUP, the US insurer, yesterday placed another potential obstacle in the path of the hostile \$4.5bn (£2.6bn) bid from the UK's BAT Industries with the news that it plans to appeal in the Arizona courts against a June 3 decision by state officials to give the bid regulatory clearance.

The Los Angeles-based group said that hearings held by the Arizona Insurance Department did not allow it the opportunity to raise what it called "significant issues" about the BAT takeover plan.

In particular, Farmers said it wanted to discuss the "negative financial impact" of the

proposed acquisition. In a statement apparently signalling its intention of continuing its stiff resistance to BAT in the nine states where approval is needed from local insurance commissioners, Farmers added that it foresaw "substantial regulatory problems" still ahead of the British group.

Farmers said that in Arizona, it had been prevented from giving evidence on issues such as BAT's potential exposure to product liability suits against the tobacco industry, and what it alleges are BAT's plans to cut back the group's medical malpractice insurance business.

Farmers' announcement

came as little surprise to BAT, and followed a decision by the Arizona department on Friday denying a request for a rehearing of BAT's application to buy the US company's subsidiary in the state.

Friday's decision was part of a mixed bag of developments in several states where regulators are considering the bid. The next key piece of news is expected at the end of this week, however, when Judge Kurt Lewin of the California Superior Court in Los Angeles is likely to rule on BAT's appeal about a state insurance department decision to refuse permission for the acquisition.



Patrick Sheehy, chairman of BAT Industries

Sherwood Computer warns of interim loss

By David Cohen

SHERWOOD COMPUTER SERVICES, Bournemouth-based computer bureau and software house, yesterday warned the market that problems at two recently-acquired companies would cause an interim pre-tax loss to June 30 of about £1.5m.

The setback - described by Mr Terry Dicken, chairman, as "stragic" - led to a 65p fall in the shares to 199p.

Cost overruns in the development of the software housing package (HB88), which Sherwood subsidiary CTG supplies to local authorities, are expected to result in first half pre-tax losses of £1.75m. In addition, margins at insurance intermediary supplier, Mitros, have been under pressure giving rise to losses approaching £400,000.

The losses come at a time of record growth from the group's core business and following a threefold increase in pre-tax profits to £1.7m since coming to the USM in 1985.

Analysts yesterday feared that the loss in product credibility due to the HB88 complications would adversely affect sales of CTG's poll tax package. Furthermore, goodwill write-offs during 1987 had left reserves at a dangerously low level causing gearing of 155 per cent at the year end, they said.

Saatchi spends up to £3m on UK media independent

By Philip Rawstone

SAATCHI & SAATCHI, advertising and communications group, has bought Ray Morgan & Partners (RMP), one of Britain's leading media independents. The deal, announced yesterday and worth between £2.4m and £3m, marks an important step forward in Saatchi's plans to centralise its media planning and buying operations.

RMP, with a client list that includes Allied Vintners, General Foods, Amstrad, Pedigree Petfoods, Crookes Healthcare and the Halifax Building Society, has annual billings of £70m.

It may become the core of Saatchi's media operations, forming with the amalgamated media departments of the group's UK advertising agencies - Saatchi & Saatchi Advertising, BSB Dorland, and KBBB - a powerful force in

the market with total billings of more than £700m.

Mr John Ferriss, Saatchi's worldwide media director, said yesterday that RMP would bring to the Saatchi group not only added spending power but a "great deal of managerial and other talent".

Discussions about consolidating the group's media buying were still continuing with clients, Mr Ferriss said. "We are, frankly, still working on the blueprint."

Some big-spending advertisers will welcome the prospect of advertising discounts that a group commanding 17 per cent of the market might be able to negotiate with press and television. However, others may be concerned about possible conflicts of interest that might arise in one agency handling accounts for several motor manufacturers, for instance, or

for different building societies. RMP has clearly satisfied its clients, however, that the move into the Saatchi group and probably into a centralised buying operation, will be beneficial.

For the immediate future, RMP will continue to operate independently. Mr Ray Morgan will remain chairman and chief executive officer, and Mr Derrick Southon, managing director.

The company was formed only three years ago by Mr Morgan, Mr Southon, Ms Christine Walker, and Mr Mike de Vere, who quit Benton & Bowles, the advertising agency, when it was taken over by D'Arcy McManus Masius. Its rapid rise into the top three UK independents has been one of the industry's most remarkable success stories of recent years.

Allied Dunbar sets up mortgage company

By David Barchard

ALLIED DUNBAR Mortgages has set up a company to specialise in securitised mortgages for the self-employed, controlling directors, and others who may have difficulty in obtaining mortgages from other institutions which are commensurate with their gross incomes.

Called Secured Residential Funding, it is owned by a

trustee company, with nominal capital, and will be independently managed by the Household Mortgage Corporation.

Though SRF will initially fund through the syndications in the interbank market, it is expected that most of its funds will eventually come from the securitisation markets.

The average size of a mort-

gage from SRF will be around £50,000 though the company will be willing to issue much smaller mortgages, especially in parts of the UK where house prices are below the national average.

"The self-employed account for around ten per cent of the workforce," said Mr Duncan Young, managing director of

HMC yesterday. "Mortgage services for them should be highly competitive."

Mr Marth Russell, formerly of Grand Metropolitan, has been appointed executive director and treasurer, and Mr Andrew French, has been made executive director for operations.

Expanding Ashtead advances to £3.15m

By Vanessa Houldier

ASBTEAD GROUP, USM-quoted plant hire company, more than trebled pre-tax profits to £3.15m (£1.02m) in the year to April 30. The results, which were slightly better than expected, left the share price unchanged yesterday at 520p.

The improvement stemmed from a sharp rise in turnover to £13m (£5.1m) and an increase in margins from 20 per cent to 24 per cent.

Mr Peter Lewis, chairman, said the results had been helped by the boom in the construction industry, although he

described the group's underlying growth to its innovative services to industrial relations.

"The only way we can achieve these kinds of margins is because of the profit-sharing scheme operated by all depots," he said. A total of £250,000 was paid out under this scheme in the year.

The original nine depots produced turnover growth of 37 per cent. Keystone, which was bought in March 1987, made its first full-year contribution and produced 15 per cent growth in revenues and a substantial

increase in margins.

The three acquisitions made during the year, which helped Ashtead increase its number of depots to 29, were also successfully integrated, Mr Lewis said.

He added that there was potential for profits improvements from the new acquisitions, which had historic margins of less than 10 per cent. In addition, further acquisitions were planned, which could double the number of depots.

Gearing was reduced from 122 per cent to 70 per cent, despite capital investment on plant of £4.9m (£2.1m).

Earnings per share surged to 30.5p (11.2p). A final dividend of 2.9p was proposed, making a total of 4p (2p).

fast-expanding market share. Ashtead has already caught the eye of the City. And with analysts expecting profits of at least £4.5m this year, their enthusiasm is duly reflected in a prospective multiple of 14. Yet despite this lofty rating, the argument for tucking some shares away is a highly attractive one. Ashtead's emphasis on profit sharing, combined with excellent financial controls, promises some laudable results. Margins, particularly in recently-acquired depots, are fast moving upwards, and could, the company reckons, exceed 30 per cent. Furthermore, with just 4 per cent of a growing and highly fragmented market for non-operating plant hire worth £550m, there is plenty of scope for expansion.

Property sales give Caird finance for re-investment

By Andrew Taylor

CAIRD GROUP has agreed to sell off most of its property investment portfolio so that it can concentrate on its growing waste disposal and environmental services operations.

Caird said the sale of the properties for £9.65m to Rugby Securities would result in a pre-tax profit of £700,000.

Previously Caird had sold some of its properties for £1.5m to North of Scotland Investment Company. It also disposed of a property in South Shields for £225,000.

It said the cash raised would be used to further the development of its waste disposal and environmental services bus-

nesses.

The company has made 13 waste disposal/environmental services acquisitions since November; it also has a 5.4 per cent stake in Leigh Interests, a leading UK waste disposal company.

Last month Caird withdrew a £7.5m bid for Wistech, a specialist cleaning and materials company.

Caird said that following the sale to Rugby Securities, it would be left with an investment property in Teesside and an interest in three joint venture residential property companies.

Alba gains French hold

By David Cohen

ALBA, the consumer electronics group, has moved to secure a pre-1992 presence in Continental Europe with the acquisition of 96 per cent of its French distributor, Telectrodis SA for an initial cash consideration of FF11.5m (£1.6m).

The purchase closely follows the 56m acquisition of Bush Radio, consumer electronics distributor, and marks the group's first expansion into mainland Europe.

Telectrodis, to be renamed Alba France, distributes Alba lines along with Metz, Sony and Fujitsu products. Last year it made of FF1.9m on turnover of FF182m.

The remaining 4 per cent will be retained by Mr Jean Paul Seror, Telectrodis director general, who will continue in that capacity. A further FF500,000 is payable subject to targets for 1988 being achieved.

Saville Gordon rises by £1m

J Saville Gordon, metal and engineers' merchant, property investor and securities dealer, showed turnover of £70.5m against £46.52m and pre-tax profit of £5.02m compared with £5.04m, for the year ended April 30 1988.

There is a final dividend of 1.27p making 1.6p (1.28p) or a scrip alternative. After tax of £1.99m (£1.6m) earnings per 10p share were 4.2p (3.5p).

Stanley Leisure in £2m purchase

Stanley Leisure Organisation, betting office and casino operator, is buying Greyform Publications and Evans and Marland. Greyform distributes and Evans writes a daily newsheet on greyhounds for most of the UK's licensed betting shops. Of the £2m consideration, £200,000 is payable in cash and the balance is to be satisfied by the issue of 734,694 ordinary shares at 24.5p.

Greyform and Evans & Marland reported aggregate pre-tax profits of £222,012 to the end of March and the two companies have guaranteed that net assets at completion will not be less than £200,000.

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	Div (p)	Yield	P/E
232	185	Ass. Brit. Ind. Ordinary	232	0	8.7	3.8	8.7
232	186	Ass. Brit. Ind. CDS	232	0	10.0	4.3	
40	25	Amalgamated (Ples)	39	0	0	0	
57	39	BBB Devises (USM)	39	-1	2.1	5.3	6.2
146	155	Barton Group	146	0	3.3	2.0	23.4
115	120	Barton Group Com. Pref.	115	0	6.7	5.8	
140	137	Bry Technology	137	0	3.2	3.8	10.2
214	100	Brenhill Com. Pref.	114	0	11.0	9.6	
282	246	CCI Group Ordinary	282	0	12.3	4.4	4.3
152	124	CD Group Ltd Com. Pref.	152	0	14.7	9.5	
151	129	Carlin Pte (SSE)	140	0	6.1	4.2	9.2
112	100	Cable 7.5% Pref (SSE)	107	0	10.3	9.4	
207	147	George Stair	207	0	3.7	1.3	8.0
60	40	His Group	60	0	0	0	
118	60	Jackson Group (SSE)	112	0	3.4	3.0	12.4
240	245	Multihouse NV (AmstSE)	320	0	0	0	
107	40	Robert Jenkin	102	0	7.5	2.4	
425	124	Seacrest	425	0	1.9	2.6	
232	194	Taylor & Carls	232	0	7.7	3.3	7.7
96	56	Trevan Holdings (SSE)	85	0	2.7	3.3	8.9
113	100	Universal Europe Com. Pref.	113	0	8.0	7.1	
293	203	W & W	293	0	16.2	5.6	7.9

Securities designated (SSE) and (SSE) are dealt in subject to the rules and regulations of the Stock Exchange. Other securities listed above are dealt in subject to the rules of ISA.

These Securities are dealt in strictly on a matched bargain basis. Neither Granville & Co nor Granville Securities Ltd are market makers in these securities.

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Flextech back in the black with £314,000

Flextech has returned to profits with £314,000 pre-tax for the 10 months to March 31 1988 against a loss of the previous 12 months of £288,000. Earnings per 10p share for this USM-quoted company were 0.29p, compared with losses of 2.03p.

The company intends to retain the deficit on the estimate profit and loss account by using some of the available share premium account.

Turnover this time was £13.02m. The pre-tax figure was struck after finance charges of £154,000 against a credit of £887,000 and share of associate losses of £104,000 (£588,000).

COMPANY NEWS IN BRIEF

BOWTHORPE HOLDINGS is acquiring 91.67 per cent of Elbomec SRL, Italian manufacturer of heat transfer devices, for £985,000 cash.

COMMERCIAL BANK of the Near East pre-tax profit dropped from £502,952 to £206,562 in the six months to June 30 on gross income of £1.55m (£1.58m).

GRAHAM'S RINTOOL Investment Trust: Net asset value 279.3p (322.4p) at June 30 1988. Net revenue for the six months £887,207 (£1,568,862).

NORMAN HAY said under recent placing, shareholders had purchased 421,722 new shares (14.08 per cent) and the balance of 2.58m placed with investment clients of McCaughan Dyson Capel Cure.

HIDONG ESTATE (rubber and oil palm fruit producer in Malaysia): Pre-tax profits after replacing expenses £894,107 (£864,291 losses) for year to March 31 1988.

ISLE OF MAN Enterprises lifted turnover to £2.11m (£1.6m) and pre-tax profit to £139,900 (£72,663) in half year ended May 1 1988. Earnings 1.87p (1p).

MORAY FIRTH Exploration: pre-tax profits £1.114 on turnover of £16.527 for six months to June 30. Extraordinary debit of £41,018 being introduction to Third Market in April, makes a loss of £29,904 for the period. Short programme of shallow diamond drillholes planned for August.

STAVERT ZIGOMALA (furniture and carpet wholesaler and retailer): Pre-tax profits for year to March 31 1988 were £62,044 (£80,916) and turnover £796,809 (£790,045). Earnings per ordinary stock unit 14.92p (14.94p) and per deferred unit 11.94p (11.99p). Dividend 12.75p (10.55p).

TEX HOLDINGS profitability continued to improve, annual meeting told. Benefits were showing from good order books and acquisition of plastics operation at Barnstable. Factory acquired to expand engineering division.

Half-Yearly Statement to 30th June 1988

Report on the course of business of the Philips group

In the first six months of 1988 the volume of sales increased by 9% compared with the corresponding period of 1987. Sales expressed in guilders rose by 5% to f 25,462 million. Exchange rate movements had a negative effect of 3% on sales expressed in guilders, while earnings in local currencies also fell (1%). The latter factor in particular put pressure on net income, which amounted to f 338 million (last year f 420 million).

Volume sales rose sharply in our Lighting, Consumer Electronics, Domestic Appliances and Components businesses, a major factor in the latter sector being the increased demand for integrated circuits in all geographical regions. A large proportion of the volume growth in the Consumer Electronics sector occurred in the European markets for low-end color television sets and video recorders. These markets are showing considerable growth, but prices are under intense pressure. The increase in sales volume in the Professional Products and Systems sector was greater than in the previous reporting period. This was primarily due to healthy sales in the field of information and communication systems.

As a result of the fierce competition from South-East Asia in the market for Consumer Electronics, profitability in this product sector came under pressure. Results in the Components sector are affected by

high development costs in the field of integrated circuits. Although operating income in the Professional Products and Systems sector was still lower than in the first six months of 1987, the second quarter of 1988 saw a major improvement on the first quarter of the year. Results improved in the Lighting, Miscellaneous and Domestic Appliances product sectors. In the first six months of 1988 the operating income of the Philips group totalled f 1,359 million (5.3% of sales); in the corresponding period of last year a figure of 6.3% was achieved. A sum of f 82 million was charged against operating income in the first six months of 1988 for restructuring. A provision of f 16 million was created in the first half of 1987.

The lower operating income is the reason why net income also fell compared with the first half of 1987.

At the end of June 1988 inventories stood at 26.0% of sales, compared with 26.4% at the end of June 1987.

The number of employees has fallen by 4,800 since January 1, 1988. This decrease occurred principally in the category of indirect personnel.

Taking account of the cost-reduction campaigns which have been launched and a number of anticipated special items of income, the course of business gives us no cause to revise the forecasts for 1988 made in the Annual Report.

Amounts in millions of guilders	2nd quarter		Jan. to June	
	1988	1987	1988	1987
Net sales	13,039	12,280	25,462	24,181
Income from operations	680	704	1,359	1,530
Gearing adjustment	47	72	102	125
Financial income and expenses	-507	-408	-873	-872
Income before taxes	220	368	588	783
Income taxes	-77	-154	-206	-329
Income after taxes	143	214	382	454
Equity in net income of unconsolidated companies	15	14	21	22
Minority interests	-37	-23	-75	-65
Net income from normal business operations	121	205	338	410
Extraordinary income after taxes	-	10	-	10
Net income	121	215	338	420
Income from operations as % of net sales	5.2	5.7	5.3	6.3
Income before taxes as % of net sales	1.7	3.0	2.3	3.2
Income after taxes as % of net sales	1.1	1.7	1.5	1.8
Net income as % of stockholders' equity	3.0	6.3	4.2	5.2
Net income from normal business operations per common share, f 10 par value (in guilders)	0.47	0.86	1.32	1.74
Net income per common share, f 10 par value (in guilders)	0.47	0.90	1.32	1.78
Do. per common share, f 10 par value, based on historical cost (GAAP) (in guilders)	0.46	0.77	1.31	1.52
At the end of June			1988	1987
Inventories (as % of net sales in the last 12 months)			26.0	26.4
Average collection period of trade accounts receivable (in months)			2.2	2.2
Marketable securities and liquid assets			1,534	1,612
Total liabilities as % of capital employed			65.3	65.0
Number of employees (comparable figure on January 1, 1988: 336,300)			331,500	342,000
of which in the Netherlands (comparable figure on January 1, 1988: 89,700)			67,900	70,100

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Park Food decreases

Park Food Group, which packs and supplies hampers, reported a downturn in pre-tax profits from £2.62m to £2.28m in the year to March 31 1988, despite an increased turnover of £92.1m against £89.54m.

A breakdown of profits showed: hampers £2.12m (£2.39m); drinks £10,000 (£53,000); temperature controlled £69,000 loss (£20,000 loss); and other activities £217,000 (£196,000).

Earnings per 10p share fell from 16.5p to 13.89p, but dividend total is to be raised to 5.3p (4.8p) with a proposed final of 3.6p.

Kingsgrange

Kingsgrange, the toiletries manufacturer, has just beat the forecast of pre-tax profits for the year to April 30 not in excess of £165,000. The result, of £170,000, was a substantial drop from the £134m of last time, the flotation forecast of £1.6m and the £1.12m achieved in the first half.

Turnover, however, rose 13 per cent to £15.33m (£13.51m). Earnings per 10p share fell to 0.9p (7.9p). A final dividend of 0.75p is proposed to make a total of 1.6p.

MONTHLY AVERAGES OF STOCK INDICES

	July	June	May	April
Financial Times Government Securities	87.84	88.23	88.99	90.74
Fixed Interest	97.36	98.10	97.99	97.82
Ordinary	1488.59	1470.0	1427.4	1421.2
Cost Index	215.4	221.6	223.9	216.4
SEAG Bargains (5 p.m.)	26,430	25,783	25,023	25,323
F.T. Actuaries Industrial Group	991.83	987.39	996.12	995.20
500 Share	1054.34	1042.22	1005.62	1011.11
Financial Group	711.38	707.92	673.38	683.72
All-Share	985.18	984.74	920.96	918.65
FT-SE 100	1855.1	1847.2	1782.5	1786.5
	July High	July Low		
Ordinary	1516.5 (11p)	1475.0 (28p)		
All-Share	874.10 (11p)	937.99 (23p)		
FT-SE 100	1877.2 (8p)	1837.7 (28p)		

UK COMPANY NEWS

Sears shares fall 6p as Fraser denies sale of 10% stake

Shares in Sears, the retail group which includes Selfridges, William Hill betting shops and the Mappin and Webb Jewellery chain, slipped 6p to 132p yesterday as House of Fraser denied press speculation that it had sold its 10 per cent share stake, writes Nikki Tait.

Fraser, which is owned by the Egyptian Al-Fayed brothers and takes in Harrods, added that it considered its holding to be "a first-class investment." The Al-Fayed interest was acquired last December - the bulk of it from an 8 per cent interest in Sears built up by the Australian Bell Group and sold on to Fraser.

Yesterday, Mr Geoffrey Maitland Smith, Sears' chairman, said the announcement had been made at Fraser's own volition, but he had been notified yesterday morning of its contents. Fraser, he said, had told him it regarded the stake as a long-term investment. Asked about any approaches to Sears recently, Mr Maitland Smith added that there had been "absolutely none - tentative or firm."

Standard Chartered streamlines

Standard Chartered has dropped one of its two auditors only two months after the annual meeting at which it asked shareholders to approve the appointment of both firms for another year, writes Richard Waters.

Deloitte Haskins & Sells will no longer have any involvement with the holding company's audit, but it will however, continue to audit a number of subsidiaries and branches of the bank. Peat Marwick McLintock becomes sole auditor of the main company.

Mr Richard Stein, finance director, said neither the removal of Deloitte nor the timing of the move was caused by disagreement between the bank and the auditors. This was confirmed by Deloitte.

The move was intended to introduce greater efficiency by doing away with the need to consult two firms in circumstances where only one was needed, said Mr Stein. It would save "several tens of thousands of pounds" of the annual audit bill, which last year amounted to £2.1m, he said.

Deloitte and Peat have been joint auditors of the bank since it was created by the merger of the Standard and Chartered banks in 1985.

Blue Arrow stake

County NatWest, the investment banking arm of National Westminster Bank, confirmed yesterday that it had no plans to sell its 9.4 per cent stake in Blue Arrow, the employment group, "for at least the next 12 months."

County picked up the stake during Blue Arrow's \$1.3bn (£760.2m) takeover of Manpower, US employment group, last year, when it underwrote a \$531m rights issue.

Fraser that County might sell its holding have undermined confidence in Blue Arrow's shares, which, despite rising 3p to 100p yesterday, are still well below the 165p at which the rights were offered.

Berisford meat sale

S & W Berisford, the commodities, property and financial services group, is selling City Meat Wholesalers, its loss-making meat wholesaling subsidiary, to ABP Holdings. Consideration has not been disclosed, but is likely to be in the region of £1m to £2m.

Berisford has owned City Meat for approximately 10 years. According to Mr Barry O'Connor, Berisford's company secretary, the subsidiary has not made a profit "in living memory." In its last financial year, it is thought to have made a pre-tax loss of some £2m on turnover of £50m.

ABP is part of Goodman International,

Bibby US packaging side being sold to management

By Andrew Hill

J. BIBBY & SONS, the agricultural and industrial conglomerate, has finally negotiated the sale of its US packaging division, but for less than the original asking price of \$130m (£76m).

Princeton Packaging is to be sold to its management for \$105m, nine months after Bibby proposed the sale of the flexible packaging operation to a US rival.

The UK group had won shareholder approval for the sale to James River Corporation, but in February the Federal Trade Commission blocked the plan because it would have given James River 50 per cent of the US market in polythene bags used to package bread and frozen food.

"This time the chances of the deal not going through must be very slight," said Mr Richard Mansell-Jones, chairman of Bibby, which is 86.5 per cent owned by Barlow Rand of South Africa.

The disposal, which includes Princeton's small retail packaging division, will take Bibby out of the US packaging market altogether, reducing US



turnover by about 65 per cent on last year's figures.

Proceeds of the deal should cancel Bibby's borrowings, which stood at about 17 per cent of shareholders' funds at the September year-end.

Bibby will receive about \$58m in cash from the sale, \$42m as repayment of intra-group debt and \$5m in the form of an unsecured loan note. The terms are broadly the same as those of the original deal.

Mr Mansell-Jones said the

Virgin buys LWT stake in Super Channel

By Raymond Snoddy

Mr Richard Branson's Virgin Group yesterday increased its stake in Super Channel, the European satellite television channel, as London Weekend Television bowed out.

Virgin Communications said it had bought LWT's remaining shares in the venture, thereby raising its stake from 28 per cent to 55 per cent.

LWT received little more than £100,000 for its stake in the low-rating channel and the venture has cost it a total of £25m.

Apart from Virgin, four of the 14 ITV companies which founded Super Channel committed more money in May - Granada, Yorkshire, Television South and Anglia. The others saw their total stakes diluted to 20 per cent.

Despite the paltry price, yesterday's sale is worth nearly £1m to LWT because it can use the tax losses to shelter gains from the sale, for £5.4m, of its 67.8 per cent interest in Page & Moy, travel agent.

Mr Robert Devereux, managing director of Virgin Communications and chairman of Super Channel, said the move was an indication of the company's faith in the future of Super Channel, available in more than 12m homes across Europe through cable television networks.

Davy builds up US engineering side

By Andrew Taylor, Construction Correspondent

DAVY CORPORATION, the British construction and engineering group with worldwide sales approaching \$500m, has agreed to acquire the Pittsburgh-based construction engineering division of Dravo Corporation, US engineering and natural resources group.

Dravo announced at the end of last year that it was selling its engineering interests after the group had made losses during the first nine months of 1987.

The construction engineering division to be acquired by Davy specialises in designing and installing process plants for the iron, steel and aluminium industries.

The purchase agreed between Davy and Dravo will be determined by a valuation of the division's current and fixed assets. The price after taking into account certain costs and a profit-sharing deal is expected to be between \$3m to \$4m.

The division is expected to generate pre-tax profits of around \$2.5m (£377,000) in a full year. It will bring design, technical and technological, currently used by Dravo under licence, to complement Davy's existing metals process plant

operations in the US. Sales of the division are thought to be running at between \$50m and \$60m a year.

Davy expects to see an increase in investment by US iron and steel companies over the next 18 months following a recent improvement in profitability by the sector.

At once stated Dravo was negotiating to sell the engineering construction division to Jacobs Engineering of California but talks broke down earlier this year.

Mr John Keenan, senior vice-president of Davy McKee Corporation, Davy's US engineering, construction and project management company, said: "The combination of the Davy and Dravo teams makes a formidable engineering force with the ability to design, project manage and construct major projects both in the US and worldwide, principally in the metals industry." Mr William Roth, Dravo chairman, said the restructuring programme at Dravo should be completed by the end of this year. He said Dravo would start 1989 "as a lean, tightly focused and increasingly profitable natural resources company".

Mainmet boosts profits 42% to £460,000

By Clare Pearson

Mainmet Holdings, USM-quoted maker of energy conservation products, increased pre-tax profits from £324,999 to £460,042 in the year to May 31.

Mr George Towler, chairman, said the taxable result would have been higher but for a £50,790 provision made in respect of feasibility studies into combined heat and power schemes for two consortia. Minerva Electronics, acquired in February, had contributed £34,344 to pre-tax profits.

A one-for-three scrip issue is proposed by the directors, who recommend a final dividend of 1.5p, for a total of 2.25p (1.5p adjusted).

D C Gardner pays £2.4m for Cowan de Groot arm

By Clare Pearson

D C GARDNER, which provides consulting and training services for banks, has bought Chart Foulkes Lynch, an accountancy training firm, for £2.44m from Cowan de Groot, the toy importer.

Cowan also said yesterday it was selling Chart University Tutors, which provides degree courses for external London University LLB examinations, to its management for a cash payment of £127,000.

Cowan recently began a policy of selling its peripheral activities to concentrate on its core business of toy importing. This follows the resignation from the board at the end of April of Mr Philip Birch, chairman of Ward White, the retailing group, who had initiated the diversification programme.

The net proceeds of the two sales announced yesterday are £2m. Along with property sales, this brings the sum

raised by Cowan from disposals since its April 30 financial year-end to £5.24m.

D C Gardner, which also yesterday announced a 57 per cent increase in pre-tax profits to £331,000 (£210,000) in the six months to end-June, is financing the deal with the issue of 1.56m new ordinary shares, representing 23 per cent of its enlarged share capital. Of these, 1.53m will be offered to existing shareholders at 147p on a 100-for-367 basis.

Chart Foulkes Lynch's profits declined to £71,000, on turnover of £2.61m, in the year to end-April from £224,000 in the previous 16 months. Cowan, de Groot has warranted pre-tax profits of £200,000 for the five months to end-December.

Gardner's interim advance was achieved on turnover of £2.13m. A final dividend of not less than 2.2p is forecast. The interim dividend is 1.1p.

Charles Barker shares jump 11% on bid talks

By Nikki Tait

SHARES in Charles Barker, advertising, public relations and recruitment group, jumped 20p to 178p yesterday as analysts suggested that it was involved in discussions which might lead to a recommended bid.

The company declined to comment further. It said another announcement would be made as soon as possible - hopefully this week.

Market speculation centred on WPP, the acquisitive advertising and marketing services group headed by Mr Martin Sorrell, as a possible purchaser. A cash price of about 180p a share was also widely mooted. This would put a 2.5m price tag on Barker.

WPP, taken in the Hill & Knowlton PR business. It also has extensive below-the-line activities into which Charles Barker Recruitment, the third

Charles Barker shares jump 11% on bid talks

By Nikki Tait

largest company in the UK advertising recruitment sector, might fit.

Another suggestion among analysts was that Barker's executive search business, Norman Broadbent International, could be subject to a subsequent management buyout - possibly as part of an agreement to recommend an offer.

Charles Barker, which saw 1987 profits fall 26 per cent is currently seeking shareholder agreement for a deal whereby US advertising group, NW Ayer, could take a stake of 25 per cent (rising to 56 per cent in 1990) in Ayer Barker; its principal consumer advertising business. Included in this arrangement is a clause allowing Ayer to buy out Barker's interest in Ayer Barker if control of Barker itself changes. The meeting to approve the deal is on August 17.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Ashted Group \$	2.9	Oct 20	2	4	2
Gardner (DC) \$	1.1	Oct 3	-	-	-
Mainmet Hldgs \$	1.5	-	1.1	2.25	1.5
Seville Gordon	1.274	-	0.98	1.8	1.28
TR Trustees Corp.	1.3	Sept 30	1.25	2.3	2.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. \$USM stock. ‡Unquoted stock. †Third market. ‡Carries scrip alternative.

This announcement appears as a matter of record only

Management Buy-Out of

GLASS GLOVER GROUP

for **£55,200,000**

SYNDICATED DEBT FINANCING

Arranged and underwritten by

Standard Chartered Bank

Participants

Bank of Scotland
Banque Française du Commerce Extérieur (London Branch)
Barclays Bank PLC
Canadian Imperial Bank of Commerce
The Industrial Bank of Japan, Limited
National Westminster Bank PLC
Société Générale

Standard Chartered

July 1988

This announcement appears as a matter of record only.

PREMIER

11 BRANDS 11

Premier Brands Limited

has acquired

Pickerings Foods Limited

from

H. J. Heinz Company Limited

Funds Provided by

Continental Illinois National Bank and Trust Company of Chicago
Bank of Scotland
Canadian Imperial Bank of Commerce
National Westminster Bank PLC
Credit Suisse
The Sanwa Bank, Limited

Tender Panel Members

Allied Irish Banks, p.l.c.
Banque Française du Commerce Extérieur
Crédit Agricole, London Branch
Copenhagen Handelsbank A/S
The Dai-ichi Kangyo Bank, Limited
First Republicbank Dallas, N.A.
The Industrial Bank of Japan, Limited
Philadelphia National Limited
The Sanwa Bank, Limited

Banca Commerciale Italiana
Bank of Scotland
Canadian Imperial Bank of Commerce
Credit Suisse
Dresdner Bank Aktiengesellschaft
Girozentrale Vienna
National Westminster Bank PLC
Postipankki (U.K.) Limited
Société Générale

Continental Illinois National Bank and Trust Company of Chicago
Facility and Tender Panel Agent

Continental Bank

*Under license from Cadbury Schweppes plc **Under license from James Marshall (Glasgow) Limited ***Under license from Borden Health Foods Limited

Cadbury's CHOCOLATE BREAK **NewTime** **Kardomah** **PICKERINGS** **Ridgways** **Harley's** **Cadbury's MARVEL** **GLINGETTE**

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar lacks direction

THE DOLLAR'S expected rise failed to materialise in currency markets yesterday. Fears of central bank intervention and profit taking, effectively postponed any further attempt to break through the DM1.90 level, for the time being. Trading volume was subdued in the absence of any major economic data. While the dollar retained a bullish undertone, the lack of volume provided a sufficient deterrent against opening fresh positions. The start of trading in New York failed to give any new impetus, but dealers stressed that the dollar retained a firm undertone, helped by a strong rise in US economic growth and rising inflation. Investors retained an interest in the US unit, because many forecasters were saying that a higher growth rate would ultimately force the authorities to increase interest rates. Data released yesterday included a smaller than expected increase in US construction spending in June of just 0.1 p.c. against expectations of a 0.5 p.c. rise, and a revised increase in May of 0.8 p.c. Today's indicators may provide some inspiration, but most investors are content to wait for the release of US unemployment figures on Friday.

The dollar finished at DM1.8765 from DM1.8760 and Y132.75 compared with Y133.05. Elsewhere it finished at SF1.2615, unchanged from Friday, and FF2.3275 against FF2.3175. On the Bank of England figures, the dollar's exchange rate index finished at 98.7 from 98.6 on Friday. Sterling opened on a strong note, and tended to track the dollar to higher levels. However, investors soon adopted a more cautious line, partly because of fears that the Bank of England would intervene to restrict sterling's rise, but also because trading volume was relatively thin, as many senior traders took their summer holidays. Despite the lack of movement, most traders expected the pound to improve in the short term, as foreign investors remain attracted to the high return offered on UK investments. The pound rose to DM3.2150 from DM3.2075 and there was no intervention by the Bank of England. It was also higher against the French franc at FF10.8425 from FF10.8075 and SF2.6750 against SF2.6700. The pound was unchanged against the yen at Y237.50. In dollar terms sterling edged up to \$1.735 from \$1.705. On the Bank of England figures, the pound's exchange rate index finished at 76.7, down from 76.5 at the start, but up from 76.5 on Friday. In Frankfurt the fear of central bank intervention and the lack of trading volume persuaded many investors to take profits. The D-Mark finished little changed on the day against the dollar, as investors retreated to the sidelines in the absence of any economic data. Elsewhere the D-Mark fell to a record low against the yen, finishing at Y70.74 from Y70.92 on Friday. It opened at Y70.79 and continued to lose ground as investors switched out of D-Marks and into yen.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns for Country, Unit, and Exchange Rate. Includes entries for France, Germany, Italy, etc.

POUND SPOT-FORWARD AGAINST THE POUND

Table showing spot and forward rates for the pound against various currencies like US Dollar, Swiss Franc, etc.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table showing spot and forward rates for the dollar against various currencies like British Pound, Japanese Yen, etc.

EURO-CURRENCY INTEREST RATES

Table showing interest rates for various Euro-currency deposits and loans.

EXCHANGE CROSS RATES

Table showing cross rates between different currencies like DM, SF, FF, etc.

FINANCIAL FUTURES

Prices stall on lack of volume

THREE-MONTH Sterling deposits and long gilt futures both finished unchanged from Friday's close, after one of the quietest trading days of the year. The long gilt sector managed to trade a mere 2,000 lots while short sterling traded just under 3,500. The lack of participation in gilt futures was partly explained by the lack of supply of fresh Government stock. Three-month sterling deposits were affected by a static cash market and growing uncertainty about short term trends in the cash market. Most investors appeared to be reluctant to open fresh positions in view of the lack of liquidity, and this proved to be a sufficient deterrent in the absence of any fresh economic data to influence the market. The US Treasury bond sector was also lacking in volume. Traders were concerned about this rise in US inflation, highlighted by the latest index issued by the National Association of Purchasing Management (NAPM), which showed a significant increase in the number of new orders in July. Institutions were awaiting Friday's release of US unemployment figures for July. There was concern that another reduction in the unemployment rate would presage a tightening of monetary policy.

Table for Liffe 3-Month Sterling Deposits showing price, volume, and settlement.

LIFFE 3-MONTH STERLING

Table showing Liffe 3-month sterling futures prices and volumes.

LIFFE EURO-DOLLAR

Table showing Liffe Euro-dollar futures prices and volumes.

LIFFE 3-MONTH STERLING

Table showing Liffe 3-month sterling futures prices and volumes.

LIFFE EURO-DOLLAR

Table showing Liffe Euro-dollar futures prices and volumes.

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LIFFE 3-MONTH STERLING

Table showing Liffe 3-month sterling futures prices and volumes.

LIFFE EURO-DOLLAR

Table showing Liffe Euro-dollar futures prices and volumes.

EUROPEAN OPTIONS EXCHANGE

Large table showing European options exchange data including call and put options for various currencies.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

MONEY MARKETS

UK rates easier on firmer pound

THERE WAS a slightly softer tone to interest rates on the London money market yesterday. Three-month interbank eased to 10 1/4-10 1/2 p.c. from 10 1/2-10 3/4 p.c. Dealers suggested the UK authorities are caught between the desire to lead rates higher in an effort to combat inflationary pressure, and the fear that higher rates will push sterling to even firmer levels against the D-Mark. Commercial banks will be obliged to draw heavily on their Lombard borrowing facility unless the Bundesbank provides fresh money through this week's sale and repurchase operation. A previous agreement will draw DM20bn out of circulation, and dealers are looking for at least DM25bn to meet their most immediate needs. Before end of month technicalities caused a brief lull for credit, banks had accumulated liabilities of around DM6.7bn towards the end of last week. The liquidity shortage is being exacerbated by continued currency intervention by the Bundesbank and other capital outflows. Many traders are expecting the Bundesbank to announce an increase today in the sale and repurchase rate to 4.25 p.c. from the current 4 p.c.

UK clearing bank base lending rate

Table showing UK clearing bank base lending rates for various terms.

Figures on UK official reserves will be published today, but in the absence of any other major UK economic news this week the market is expected to be quiet, and a further change in bank base rates appears unlikely in the immediate future.

The Bank of England initially forecast a surplus of around £250m with factors affecting the market including repayment of late assistance, off-set by Exchequer transactions which added £420m and a fall in the note circulation of £410m. In addition, banks brought forward balances £18m above target. At noon the forecast was revised to a surplus of £200m, and the authorities did not operate in the market. In the afternoon the Bank of England sold £185m Treasury bills, maturing on August 5, at rates of 9 1/4-10 p.c. Interest rates in Frankfurt rose sharply as banks continued to face a chronic shortage of day-to-day funds. Call money was quoted at 5 p.c. the same as the Lombard rate, and its effective ceiling.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates for various currencies.

MONEY RATES

Table showing money rates for various currencies and terms.

LONDON MONEY RATES

Table showing London money rates for various currencies and terms.

REINSURANCE Financial Times proposes to publish a Survey on the above on 5th September 1988 For a full editorial synopsis and advertisement details, please contact: D REED & B KELAART on 01-248-8000 ext 3461 or 3266 or write to them at: Bracken House, 10 Cannon Street London EC4P 4BY.

WestLB Fixed Income and Equities Trading - for dealing prices call: Dusseldorf, London, Luxembourg, Hong Kong. One of the leading Marketmakers. WestLB Westdeutsche Landesbank. IS AN INVESTMENT PORTFOLIO COMPLETE WITHOUT FUTURES AND OPTIONS? Call 01-930 9209 or return the coupon for our Free Guide that explains how COMMODITY FUTURES & OPTIONS might play a role in your portfolio. The prices of Futures and Option contracts rise and fall, therefore only speculate with funds you can afford to lose. I would like to receive your free guide on Futures & Options & Action Alert Signals. Mr/Mrs/Miss Address Telephone Number: FIRST FUTURES BROKERS LIMITED AFBDF First Futures Brokers Ltd. 126 Jermyn St, London SW1 4UG.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abnott Management Ltd, and Aegis Unit Trust, including their respective managers and details.

Table listing unit trusts under the heading 'Abnott Management Ltd' and 'Aegis Unit Trust', providing details on assets and performance.

Table listing unit trusts under the heading 'AEGIS UNIT TRUST' and 'AEGIS UNIT TRUST', detailing investment strategies and fund types.

Table listing unit trusts under the heading 'AEGIS UNIT TRUST' and 'AEGIS UNIT TRUST', including information on fund managers and investment focus.

Table listing unit trusts under the heading 'AEGIS UNIT TRUST' and 'AEGIS UNIT TRUST', providing details on fund structures and investment objectives.

Table listing unit trusts under the heading 'AEGIS UNIT TRUST' and 'AEGIS UNIT TRUST', including information on fund performance and asset allocation.

Table listing unit trusts under the heading 'AEGIS UNIT TRUST' and 'AEGIS UNIT TRUST', detailing various fund types and their respective managers.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

JOTTER PAD: A grid for handwritten notes with columns for date, time, and other details.

CROSSWORD No. 6,697 Set by TANTALUS

Crossword puzzle grid with numbered squares for letters.

ACROSS: 1 He would not be seen at such a gathering (8,5), 5 Open tin with key and I start to drink (6), 10 Fast run with a devout daughter (5), 11 Virtuous as the minds of Chesterton's imkeepers (9), 12 Tree-tops since broken (5,4), 13 Nica worker dropped excuse (6), 14 Departed to send message to this meeting? (6), 15 Have meal with abstainer and sweetener in here? (7), 18 Point for example (7), 20 Company enticement to form great circle (6), 22 Merits sailors entering choppy sea (5), 24 I'm actor in play as American undertaker (8), 25 Lawyer in Malta trained dog (9), 26 Egghead enters lair built by Gussle (5), 27 List shows unusual resort (6), 28 Good man with paper upset about headline (5), 1 In this place say, disheartened with unorthodoxy (6), 2 Pin-up on river seen floating by orisland (7), 3 Sop is dead - dies as a result of this illness (8,7)

Main table of unit trust information, listing numerous funds such as Brown Shipley & Co Ltd, Equitable Unit Trusts, and various international and domestic funds.

Table listing unit trusts under the heading 'LONDON & MANCHESTER UNIT TRUST' and 'LONDON & MANCHESTER UNIT TRUST', including details on fund types and investment focus.

Table listing unit trusts under the heading 'LONDON & MANCHESTER UNIT TRUST' and 'LONDON & MANCHESTER UNIT TRUST', providing details on fund performance and asset allocation.

GUIDE TO UNIT TRUST PRICING: A section explaining how unit prices are calculated, including details on net asset value, expenses, and the timing of price updates.

Handwritten signature or mark at the bottom center of the page.

FT UNIT TRUST INFORMATION SERVICE

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INSURANCES

Main table containing financial data for various insurance and unit trust companies, including names, codes, and performance metrics.

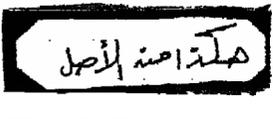
OTHER UK UNIT TRUSTS

Table listing other UK unit trusts and their details.

FT UNIT TRUST INFORMATION SERVICE

Company Name	Address	Phone	Unit Price	Change	YTD %	12M %	3Y %	5Y %	10Y %	Dividend Yield	Dividend Payout	Notes
Phoenix Assurance Co Ltd	15 Crosby Rd, Warrington, Cheshire, Lancs, W9 3JL	0272 299421	1.00	+0.01	+1.1	+1.1	+1.1	+1.1	+1.1	0.00	0.00	
Prudential Mutual Life Assn	100 Broad Street, Newark, NJ 07102	0212 512 1000	1.00	+0.01	+1.1	+1.1	+1.1	+1.1	+1.1	0.00	0.00	
Scottish Life Assurance Ltd	100 George Street, Glasgow, G2 3JL	0181 222 1000	1.00	+0.01	+1.1	+1.1	+1.1	+1.1	+1.1	0.00	0.00	
Standard Life Assurance Co Ltd	100 George Street, Glasgow, G2 3JL	0181 222 1000	1.00	+0.01	+1.1	+1.1	+1.1	+1.1	+1.1	0.00	0.00	
Swiss Life Assurance Ltd	100 George Street, Glasgow, G2 3JL	0181 222 1000	1.00	+0.01	+1.1	+1.1	+1.1	+1.1	+1.1	0.00	0.00	
UK Life Assurance Ltd	100 George Street, Glasgow, G2 3JL	0181 222 1000	1.00	+0.01	+1.1	+1.1	+1.1	+1.1	+1.1	0.00	0.00	
... (thousands of rows) ...												
UK Listed												
Offshore and Overseas												
Management Services												
Offshore Insurances												

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FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts, their managers, and performance metrics.

LONDON SHARE SERVICE

Table of London Share Service listing British Funds, Foreign Bonds & Rails, and AMERICANS.

Table of Money Market Trust Funds and Money Market Bank Accounts.

OTHER OFFSHORE FUNDS

Table of Other Offshore Funds listing various international investment vehicles.

Money Market Trust Funds

Table of Money Market Trust Funds listing specific fund names and details.

Money Market Bank Accounts

Table of Money Market Bank Accounts listing bank names and account details.

LONDON SHARE SERVICE

AMERICANS - Contd. Table with columns for Stock, Price, and other financial metrics.

CANADIANS. Table listing Canadian companies and their share prices.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road construction companies.

BUILDING, TIMBER, ROADS Contd.

Continuation of Building, Timber, Roads table.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies.

DRAPERY AND STORES

Table listing drapery and store companies.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road construction companies.

ELECTRICALS

Table listing electrical companies.

ENGINEERING - Contd.

Continuation of Engineering table.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other companies.

ENGINEERING

Table listing engineering companies.

ENGINEERING - Contd.

Continuation of Engineering table.

HOTELS AND CATERERS

Table listing hotels and caterers.

INDUSTRIALS (Miscel.)

Table listing miscellaneous industrial companies.

INDUSTRIALS (Miscel.)

Table listing miscellaneous industrial companies.

INDUSTRIALS (Miscel.) - Contd.

Continuation of Industrial (Miscel.) table.

INDUSTRIALS (Miscel.) - Contd.

Continuation of Industrial (Miscel.) table.

INDUSTRIALS (Miscel.)

Table listing miscellaneous industrial companies.

INDUSTRIALS (Miscel.) - Contd.

Continuation of Industrial (Miscel.) table.

INSURANCES

Table listing insurance companies.

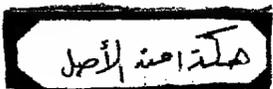
INSURANCES

Table listing insurance companies.

LEISURE

Table listing leisure companies.

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LONDON SHARE SERVICE

LEISURE - Contd

Table of stock prices for Leisure sector, including companies like British Skyways, British Airways, and others.

PAPER, PRINTING, ADVERTISING - Contd

Table of stock prices for Paper, Printing, Advertising sector, including companies like News International, Newsprint, and others.

TEXTILES - Contd

Table of stock prices for Textiles sector, including companies like British Textiles, and others.

TRUSTS, FINANCE, LAND - Contd

Table of stock prices for Trusts, Finance, Land sector, including companies like British Land, and others.

OIL AND GAS - Contd

Table of stock prices for Oil and Gas sector, including companies like British Petroleum, and others.

MINES - Contd

Table of stock prices for Mines sector, including companies like British Coal, and others.

MOTORS, AIRCRAFT TRADES

Table of stock prices for Motors, Aircraft Trades sector, including companies like British Aerospace, and others.

PROPERTY

Table of stock prices for Property sector, including companies like British Land, and others.

TOBACCO

Table of stock prices for Tobacco sector, including companies like British American Tobacco, and others.

TRUSTS, FINANCE, LAND

Table of stock prices for Trusts, Finance, Land sector, including companies like British Land, and others.

OVERSEAS TRADERS

Table of stock prices for Overseas Traders sector, including companies like British Overseas Airways, and others.

PLANTATIONS

Table of stock prices for Plantations sector, including companies like British Plantations, and others.

Commercial Vehicles

Table of stock prices for Commercial Vehicles sector, including companies like British Leyland, and others.

Components

Table of stock prices for Components sector, including companies like British Leyland, and others.

SHIPPING

Table of stock prices for Shipping sector, including companies like British Skyways, and others.

TRUSTS, FINANCE, LAND

Table of stock prices for Trusts, Finance, Land sector, including companies like British Land, and others.

TEAS

Table of stock prices for Teas sector, including companies like British Teas, and others.

MINES

Table of stock prices for Mines sector, including companies like British Coal, and others.

NEWSPAPERS, PUBLISHERS

Table of stock prices for Newspapers, Publishers sector, including companies like News International, and others.

SHOES AND LEATHER

Table of stock prices for Shoes and Leather sector, including companies like British Leather, and others.

SOUTH AFRICANS

Table of stock prices for South Africans sector, including companies like Anglo American, and others.

OIL AND GAS

Table of stock prices for Oil and Gas sector, including companies like British Petroleum, and others.

FAR WEST RAND

Table of stock prices for Far West Rand sector, including companies like Anglo American, and others.

O.F.S.

Table of stock prices for O.F.S. sector, including companies like Anglo American, and others.

DIAMOND AND PLATINUM

Table of stock prices for Diamond and Platinum sector, including companies like Anglo American, and others.

FINANCE

Table of stock prices for Finance sector, including companies like Anglo American, and others.

PAPER, PRINTING, ADVERTISING

Table of stock prices for Paper, Printing, Advertising sector, including companies like News International, and others.

SHOES AND LEATHER

Table of stock prices for Shoes and Leather sector, including companies like British Leather, and others.

SOUTH AFRICANS

Table of stock prices for South Africans sector, including companies like Anglo American, and others.

TEXTILES

Table of stock prices for Textiles sector, including companies like British Textiles, and others.

Australians

Table of stock prices for Australians sector, including companies like Anglo American, and others.

PROPERTY

Table of stock prices for Property sector, including companies like British Land, and others.

THIRD MARKET

Table of stock prices for Third Market sector, including companies like Anglo American, and others.

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: A Alpha, B Beta, Y Gamma...

REGIONAL & IRISH STOCKS

Table of stock prices for Regional & Irish Stocks sector, including companies like Anglo American, and others.

TRADITIONAL OPTIONS

Table of stock prices for Traditional Options sector, including companies like Anglo American, and others.

PROPERTY

Table of stock prices for Property sector, including companies like British Land, and others.

INDUSTRIALS

Table of stock prices for Industrials sector, including companies like Anglo American, and others.

MINES

Table of stock prices for Mines sector, including companies like British Coal, and others.

This service is available to every company dealt in on the London Stock Exchange Report Page. Exchanges throughout the United Kingdom for a fee of 6/00 per annum for each report.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Monday August 1 1988, Index No., Day's Change, Est. Earnings, Gross Yield, Est. P/E Ratio, etc. Lists various industry sectors like CAPTIAL GOODS, BUILDING MATERIALS, etc.

Table with columns: FIXED INTEREST, PRICE INDICES, Mon Aug 1, Day's change, Fri Jul 29, etc. Lists various interest-bearing instruments and their performance.

FT-SE 100 SHARE INDEX 1862.2, FT-SE 100 SHARE INDEX 1862.2, etc. Summary of market performance.

LONDON TRADED OPTIONS

Large table showing CALLS and PUTS for various options, including columns for Option, Oct, Jan, Apr, Aug, Nov, Feb, May, etc. Lists option contracts and their prices.

RISES AND FALLS YESTERDAY

Table showing RISES AND FALLS YESTERDAY, listing various financial instruments and their daily price movements.

LONDON RECENT ISSUES

Table showing LONDON RECENT ISSUES, listing newly issued securities and their details.

FIXED INTEREST STOCKS

Table showing FIXED INTEREST STOCKS, listing various fixed interest securities and their prices.

RIGHTS OFFERS

Table showing RIGHTS OFFERS, listing rights issues and offers for various companies.

BSN: OPERATIONS FOR THE FIRST HALF OF 1988. Includes a bar chart showing sales by division and a table of consolidated sales figures.

PRINTING TECHNOLOGY. The Financial Times proposes to publish this survey on 5th September. For a full editorial synopsis and advertisement details, please contact: CLARE REED on 01-248 8000 ext 3365.

Company Notices. 2nd Notice to the Holders of The Kyren Bank, Ltd., U.S.\$100,000,000 Convertible Bonds Due 2002 (the "Bonds") issued on 24th August, 1987.

EAG Kugelfischer Investments For the Future. Innovation and productivity were top priorities in fiscal 1987, as our future competitiveness largely depends on the progress made in these two key areas.

Notice to Holders of The Long-Term Credit Bank of Japan, Limited (the "Bank") 1 1/4% Convertible Bonds Due 2002 (the "Bonds").

IL COMITATO PER L'INTERVENTO NELLA S.I.R. informs. 1. that on 8 July 1988, a formal offer has been submitted to purchase all industrial activities of the group, recorded as assets at the date of 31 December 1986.

Balance Sheet (in millions of DM) for 1987. Includes a table with columns for Assets, Liabilities, and Equity, and a detailed breakdown of each category.

LONDON STOCK EXCHANGE

Speculative stocks flavour equities

NERVOUSNESS over UK base rates continues to reverberate in the London securities markets yesterday in the face of a steady pound. Equities turned in another firm, if cautious, performance, with the international leaders taking their cue from Wall Street, and speculative situations again enlivened the consumer sectors. Government bonds, however, saw very little activity as the market awaited details of the next auction of near-dated Treasury stock.

At the close, the FT-SE Index showed a gain of 8.6 at 1862.2, against the DM. However, a rise of 20p in Glaxo reflected turnover of a mere 385,000 shares. Equities opened firmly and tried at first to extend their early gains. The FT-SE 100

stocks were restrained by the bank sector, where three of the big names went ex-dividend as last week's higher payments were taken aboard. At the close, the FT-SE Index showed a gain of 8.6 at 1862.2, against the DM. However, a rise of 20p in Glaxo reflected turnover of a mere 385,000 shares.

inflation will edge up in the short term. At Prudential-Bache Capital Refunding, Mr Bill Smith told clients that the equity market now faces an inflation spiral similar to that in late 1984. Pointing out that the market was little affected by the 1984 inflation uptick, he suggests that the reaction will be similar this time.

Shares in the major leading banks fell back as the sector analysts gave their considered judgements on last week's half time reports. The Government bond sector saw very little business, and prices ended virtually unchanged on the session. An attempt was made to edge higher at first, when the pound showed signs of renewed strength.

Abbey Life in the frame

HOPEFUL of a bid for Abbey Life, the unit-trust linked life company, flared up again yesterday as speculators, who had been looking for a bid from Continental Europe, turned their eyes nearer to home. The shares closed 11 up at 383p, but had bounced as high as 341p earlier.

view of the expected turnaround at British Celanese. County NatWest WoodMat is forecasting \$77m compared with \$90m for the similar period last year, but points out that the July traffic figures will be announced about a week after the first-quarter profits and expects these to show the continued rehabilitation of BCal. County is also impressed by the speed at which the BCal merger has been implemented.

Friday that it could find no justification for the large rise in its share price that day. Thorn EMI rose 5 to 663p on hopes that a buyer has been lined up for Immos, Cables & Wireless closed 9 better at 386p on good news about Marconi, while Brent last 4 to 91p after the shares went ex-dividend.

more in a limited market to a year's peak of 388p, while recovery hopes lifted Lister 6 to 112p. The debut of Rit Capital Partners (RIT), a new company formed when J Rothschild (JRE) put 250m of its assets into a new investment trust at no cost to shareholders, gave a splash of colour to the sector.

Shares in the major leading banks fell back as the sector analysts gave their considered judgements on last week's half time reports. The Government bond sector saw very little business, and prices ended virtually unchanged on the session.

RHM off the boil

Bank's Hovis McDougall rose firmly in early trading as dealers reacted to market rumours - soon proved unfounded - that the shares were about to be suspended pending a counter-bid. RHM settled 4 higher at 466p, after 470p, in good two-way business as 8.4m shares traded.

British Gas were one of the few Alpha stocks to move against the run of play. Quoted at the net-dividend payment of 5 1/2p, the shares continued to rate highly with private investors and earned top honours in the day's activity lists, recording turnover of 7.6m. But in the aftermath of Friday's heavy business when the income funds and traders alike bought aggressively for the dividend, the price eased back to 181p.

Reports that the UK Motor trade is expecting record sales for the third successive year - the car registration prefix changed yesterday to "F" - underpinned the sector, without arousing too much extra activity. Lucas Industries rose 9 to 550p and Lex Service improved further to 413p, but only T.Cowie made any significant headway among Distributors.

Property stocks were firmer all round as interest rate worries recede, with MEPC and Land Securities - up 6 at 550p and 7 better at 579p, respectively - leading the way. Also in demand were British Land, 11 firmer at 350p, and Slough Estates, 7 higher at 299p as both stocks benefited from promotion to Alpha status.

Shares in the major leading banks fell back as the sector analysts gave their considered judgements on last week's half time reports. The Government bond sector saw very little business, and prices ended virtually unchanged on the session.

BA await figures

British Airways rose briskly to 156p, up 5, in anticipation of Thursday's first-quarter figures. Some 3.8m shares changed hands. Most analysts are advocating near-term caution, but currently rate the shares as cheap, in

International stocks were marked higher before a subdued opening on Wall Street led to slight downward pressure late on. A resurgence of dealer interest in leading chemical and pharmaceutical stocks was responsible for most of the day's gains, but institutional investors were still on the sidelines.

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Managing director at Scottish & Newcastle

Mr Gavin B. Reed is to become group managing director of operations at SCOTTISH & NEWCASTLE BREWERIES from September 12. He will be responsible for the day-to-day running of all operating companies. Educated at Eton and Trinity College, Cambridge, Mr Reed, who is 53, joined Newcastle Breweries in 1968. His career in the group included a spell in the hotel division, including a period as managing director of The Hotel, of which he is still a board member.

Mr Philip Bushill-Matthews

Mr Philip Bushill-Matthews, sales and distribution director of BIRDS EYE WALL'S, has joined the board of Water, Gas, Electricity & Transport, becoming managing director of the Craigmillar division in succession to Mr Eric Wright who will be retiring in November. Mr Tony Pearce, sales director (Bachelors range) of Brooke Bond Bachelors, has been appointed sales director of Birds Eye Wall's. Mr Jim Reilly, commercial director of Birds Eye Wall's, in addition becomes responsible for distribution.

Mr David B.B. Smith

Mr David B.B. Smith, chief executive of the Dumfries Building Society, has been appointed to the board of the SOUTH FIFE ENTERPRISE TRUST. Mr BOLTON READY, an industrial doors maker in Bolton, has appointed Mr Stephen Penny as sales and marketing director. He was sales manager with Renault Power Transmission.

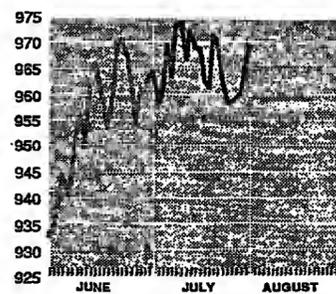
Mr Keith Gates

Mr Keith Gates, finance director of Marks and Spencer, has been appointed a BBC Governor. Mr Stewart W. Urry has been appointed executive chairman of SHOP & STORE DEVELOPMENTS and its associated companies. Mr BOYCH PROPERTY GROUP has appointed Mr S. Ferraris as a director. He was a director of the Hammarson Property

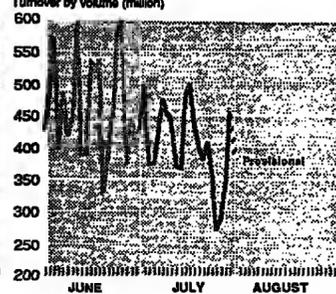
Mr Christopher Benson

Mr Christopher Benson (above) has become chairman of MEPC following the retirement of Mr Robin Adam. Mr Christopher was managing director, and has been succeeded by Mr James Tuckey, who was deputy managing director. Investment and Development Corporation. PREMIER CONSOLIDATED OILFIELDS has appointed Mr Charles J.A. Jamieson as managing director. He was finance director. REDPATH INDUSTRIES, Tate & Lyle's Canadian subsidiary, has appointed Mr W. Darcy McKeough as president and chief operating officer. He was chairman. He changes posts with Mr L.R. (Red) Wil-

FT-A ALL-SHARE INDEX



SEAQ SHARES TRADED



FINANCIAL TIMES STOCK INDICES

Table with columns for Stock Index, August, July, June, May, April, March, February, January, 1988, 1987, 1986, 1985, 1984, 1983, 1982, 1981, 1980. Rows include Government Secs, Fixed Interest, Ordinary, Gold Mines, Ord. Div. Yield, Earning Yld. % (full), P/E Ratio (Net), SEAO Bargains (50m), Equity Turnover (€m), Equity Bargains, Shares Traded (m), Ordinary Shares Index, Hourly changes, and Day's High/Low.

TRADING VOLUME IN MAJOR STOCKS

Table listing trading volume for major stocks including ASB Group, Allied-Len, Anglo-Span, Anglo-Tex, Anglo-Ind, Anglo-Food, Anglo-Gen, Anglo-Pharm, Anglo-Prop, Anglo-Indus, Anglo-Comm, Anglo-Infra, Anglo-Environ, Anglo-Health, Anglo-Edutec, Anglo-Entert, Anglo-Telecom, Anglo-Transport, Anglo-Utilities, Anglo-Real Estate, Anglo-Insurance, Anglo-Banking, Anglo-Financial, Anglo-Other.

Advertisement for Jones Interchangeable, featuring a large graphic of a globe and the text: 'New Issue \$150,000,000', '13% Subordinated Debentures Due 2000', 'Prudential-Bache Capital Funding', 'Shearson Lehman Hutton Inc.', 'Dean Witter Capital Markets', 'June 1988', 'This announcement appears as a matter of record only.', 'The Kingdom of Belgium', 'U.S. \$75,000,000 Notes Due 1991', 'The undersigned arranged the private placement of these securities with an institutional investor.', 'Prudential-Bache Capital Funding', 'June 1988'.

Thistle Hotels chairman

Mr I.G. Hannah is to become chairman of Thistle Hotels, a subsidiary, from September 12, in addition to his post as managing director. He succeeds Dr B.C. Kilkenny who is retiring.

COMMODITIES AND AGRICULTURE

Outokumpu clings to Chilean copper deal

By Olli Virtanen in Helsinki
OUTOKUMPU, the Finnish mining and metallurgical group, is clinging to its copper concentrate supply agreement with Chile's Escondida project in spite of growing political pressure at home.

The union and several left wing politicians object to Finnish involvement with what they describe as Chile's fascist regime. AET is powerful enough to cut copper imports by boycotting materials handling in ports.

Peruvian miners' strike spreading

By Barbara Durr in Lima

PERU'S TWO-week-old miners' strike is spreading and more deliveries may be affected. Southern Peru Copper Corporation, the country's largest copper operation, is considering a declaration of force majeure after its smelter workers at Ho joined the strike last week.

An official of the National Federation of Mining, Metallurgical and Steel Workers said that another silver mine, the Carolina, in the north central department of Cajamarca, had joined the strike.

Miners at Areata, one of the country's top silver mines, are still at work, but they are reported to be threatening to join the strike.

Single market may harm Danish pigmeat exports

By Hilary Barnes in Copenhagen

DENMARK'S LUCRATIVE pigmeat exports to Japan and the US may be threatened by the completion of the EC's internal market in 1992, according to the Danish Slaughterhouse Association.

The pigmeat producers fear that when restrictions on imports of pigmeat to Denmark from other European countries are lifted in 1992, Denmark will no longer be able to maintain its disease-free classification.

EC farm incomes down 3.5%, says report

By Tim Dickson in Brussels

FARMERS WHO grumbled that 1987 was a bad year will find ample support for their case in new figures published yesterday by the European Commission.

A report produced by Eurostat, the Statistical Office of the European Communities, shows that agricultural incomes last year fell on average a real 3.5 per cent below the level of 1986 and are thus virtually back to the level reached at the beginning of the decade.

Enrostat cites three indicators to measure income trends, but places most reliance on so-called net value added at factor cost per annual work unit - computed from the value of final agricultural production, less intermediate consumption, depreciation and production taxes, plus subsidies - this covers only income from farming activity.

The decline, according to the Commission, is due largely to an average nominal fall in producer prices in the Community of 1.2 per cent, the major factor being a drop in prices for animal production of 3 per cent.

While the overall income trend in the Community was negative, however, Eurostat reveals considerable differences between member states. The highest income falls in 1987 were in West Germany (minus 16.3 per cent) and Denmark (minus 12.4 per cent), but Irish farmers (plus 13.9 per cent) and their Spanish counterparts (plus 5.8 per cent) did notably better.

The improvement in Ireland is attributed mainly due to higher production prices but the sole factor in Spain was an increase in production volume last year. The income losses in Germany and Denmark are explained by production setbacks related to unfavourable weather and harvest conditions.

High profits from well-fed grain

By David Richardson

that 1988 is going to be a very good and profitable year. For while dry-land farmers further north have been writing wheat crops off in worst cases and harvesting from four to 10 bushels per acre where they had some rain Mr Koehn has averaged some 36 bushels (about one tonne) an acre over the whole farm, and on his best irrigated fields up to 54 bushels an acre.

He reckons he would have done even better had it not been for disease he calls root rot and we call take-all, and attacks by insects called Russian aphids, which are now threatening the whole of the high plains area and causing a great deal of concern. But he is satisfied with his yields and the prices he was able to obtain for the grain.

He is even more optimistic, however, about his maize. Normally he expects to harvest around 175 bushels per acre from his irrigated crops but this year, because it has been cooler than usual in his particular area and summer rainfall has been five to six inches above average, he is hoping the yield will top 200 bushels an acre.

Certainly the crops looked excellent to me when I walked through them over the weekend and Mr Koehn said he'd never seen his maize looking better.

UK food body welcomes funding change

By Bridget Bloom, agriculture correspondent

THE BRITISH Government's decision to change the funding arrangements for Food for Britain means that the export promotion organisation will in future be "talking business rather than survival", Mr Walter Goldsmith, FFB chairman, said at the weekend.

Last week, Mr John MacGregor, the Minister of Agriculture, announced alterations to the Government's funding of FFB which effectively means that it will pay the organisation's administrative and establishment costs.

FFB was founded five years ago on the initiative of the then Minister of Agriculture, Mr Peter Walker, to boost domestic consumption and exports of British food. It has always been much more heavily funded than its more successful overseas counterparts while it has been criticised on the grounds that the interests of the food and drink industries are too disparate to be coped with by a single umbrella organisation.

Exporters to be compensated for payment delays

By David Blackwell

UK EXPORTERS of agricultural commodities are to be paid millions of pounds in compensation for delays in receiving export-refund payments due under the EC's Common Agricultural Policy rules.

Mr Alan Chandler, the secretary-general of the UK Provision Trade Federation, estimates that between £1m and £2m compensation will be paid this year to the dairy product and pigment sectors alone.

Delays in the payments have arisen mainly because of problems with a new computer at the Intervention Board for Agricultural Produce (IBAP), which administers CAP rules in Britain. The board cannot put a figure on the amount it expects to pay. "It's Catch 22 - we can't tell how much is outstanding until we pay it," said Mr Steven Briggs for the board.

However, Mr Donald Thomson, the Parliamentary Secretary at the Ministry of Agriculture, told the House of Commons last week that urgent expenditure estimated at up to £5m would be met by repayable advances from the Contingencies Fund.

Chicago

SOYBEANS 5,000 bu m/cr cents/60b bushel

Table with columns: Close, Previous, High/Low. Rows for Soybeans, Soybean Meal, Soybean Oil, etc.

WORLD COMMODITIES PRICES

(Prices supplied by Amalgamated Metal Trading)

Table with columns: Commodity, Close, Previous, High/Low. Rows for various metals and minerals.

INTERNATIONAL BOURSES

The Financial Times proposes to publish this survey on: 21st September 1988

Table with columns: Index, Close, Previous, High/Low. Rows for various international stock indices.

NEW YORK

GOLD 100 Troy oz: \$/troy oz

Table with columns: Commodity, Close, Previous, High/Low. Rows for Gold, Silver, Platinum, etc.

COCAOA

COCAOA 10 tonnes/tonnes

Table with columns: Commodity, Close, Previous, High/Low. Rows for various cocoa products.

CRUDE OIL

CRUDE OIL (Light) 42,000 US gals/Barrel

Table with columns: Commodity, Close, Previous, High/Low. Rows for various oil grades.

COFFEE

COFFEE "C" 37,500 lbs/cents/lb

Table with columns: Commodity, Close, Previous, High/Low. Rows for various coffee grades.

SUGAR

SUGAR WORLD "11" 112,000 lbs/cents/lb

Table with columns: Commodity, Close, Previous, High/Low. Rows for various sugar grades.

Retailing
The Financial Times proposes to publish this survey on: September 20th

LONDON MARKETS

COPPER PRICES fell through chart support levels on the LME as the market continued its decline in the trading dealers said. Cash metal lost \$37 to \$1,215 - the lowest closing price since early May - in spite of a lower than expected rise in LME warehouse stocks last week.

SPOT MARKETS

Table with columns: Commodity, Price, Change. Rows for various spot market items.

COCAOA

COCAOA 10 tonnes/tonnes

Table with columns: Commodity, Close, Previous, High/Low. Rows for various cocoa products.

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Table with columns: Commodity, Close, Previous, High/Low. Rows for various sugar grades.

Production of palm kernel for the first half was 620,000 tonnes, compared with 535,000 tonnes previously - an increase of 16 per cent.

Palm oil output higher

By Wong Sulong in Kuala Lumpur

MALAYSIA'S production of crude palm oil for the first half of this year rose by 14 per cent to 2.12m tonnes compared with the same period last year, according to government figures.

The Statistics Department said production for the month of June increased by 33,900 tonnes or 21 per cent to 478,000 tonnes, from the previous month. The latest figure will also be 22 per cent up on production in June last year.

Production of palm kernel for the first half was 620,000 tonnes, compared with 535,000 tonnes previously - an increase of 16 per cent.

SOYBEAN MEAL

SOYBEAN MEAL 100 tonnes/tonnes

Table with columns: Commodity, Close, Previous, High/Low. Rows for various soybean meal grades.

SOYBEAN OIL

SOYBEAN OIL 60,000 lbs/cents/bushel

Table with columns: Commodity, Close, Previous, High/Low. Rows for various soybean oil grades.

WHEAT

WHEAT 5,000 bu m/cr cents/60b bushel

Table with columns: Commodity, Close, Previous, High/Low. Rows for various wheat grades.

LIVE CATTLE

LIVE CATTLE 40,000 lbs/cents/lb

Table with columns: Commodity, Close, Previous, High/Low. Rows for various live cattle grades.

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PORK

PORK BELLIES 36,000 lbs/cents/lb

Table with columns: Commodity, Close, Previous, High/Low. Rows for various pork grades.

FINANCIAL TIMES

INDEXES

Table with columns: Index, Close, Previous, High/Low. Rows for various financial indices.

WORLD STOCK MARKETS

Table of world stock markets including sections for Australia, Canada, Germany, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Singapore, South Africa, Taiwan, Thailand, UK, USA, and West Germany.

OVER-THE-COUNTER

Table of over-the-counter market data, including Nasdaq national market, 2pm prices August 1, and various stock listings with prices and changes.

Table of stock indices including Dow Jones, Nikkei, Hang Seng, and various regional indices with their respective values and changes.

Advertisement for 'Travelling by air on business?' featuring British Airways, British Midland, Canadian Pacific Air, KLM, Lufthansa, Pan-Am, Singapore Airlines, Thai Airways International, and Transavia.

Table titled 'TOKYO - Most Active Stocks Monday 1 August 1988' listing various Japanese stocks and their trading volumes.

Large advertisement for 'ASSOCIATES CORPORATION OF NORTH AMERICA' featuring a 'U.S. \$250,000,000 Revolving Credit Facility' and listing various international banks as partners.

Table of 'NEW YORK ACTIVE STOCKS' listing various US stocks and their prices, along with a 'TRADING ACTIVITY' section.

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

OVER-THE-COUNTER

Table of Over-the-Counter prices listing various stocks with columns for stock name, price, and change.

Advertisement for Financial Times featuring the headline 'Travelling by air on business' and contact information for Paris and Geneva.

Advertisement for Financial Times featuring the headline 'Have your F.T. hand delivered in France' and contact information for Paris.

Advertisement for Financial Times featuring the headline 'Have your F.T. hand delivered every morning in Switzerland' and contact information for Geneva.

AMERICA

Dow subdued pending release of US figures

Wall Street

MOVEMENTS in stock and bond markets were subdued yesterday, in a week which sees the announcement of details of the Treasury's quarterly refunding and the latest unemployment figures, writes Janet Bush in New York.

Trading in US bonds was quiet yesterday and movements limited. Bonds stood up to 1/2 point higher at mid-session yesterday, and the Treasury's benchmark long bond was quoted 1/2 point higher for a yield of 9.17 per cent.

The only economic news yesterday was a report by US purchasing managers which showed that the economy continued to expand strongly in July. Mr Robert Bretz, chairman of the group's business survey committee, said: "The vigorous increase in new orders, undoubtedly fuelled by the surge in export orders, is impressive and signals continued robust economic growth for the balance of the third quarter."

The report had little impact on bonds or equities. Friday's unemployment figures are for July and are expected to show an unchanged unemployment rate of 5.3 per cent and a rise of 250,000 to 275,000 in the non-farm payroll.

The latest of many rumours surrounding the company centres on Pearson, owner of the Financial Times, as a possible purchaser. McGraw-Hill's share price jumped another 2 1/2% to 267 1/2 at mid-session yesterday.

EUROPE

Broad gains produce new highs in very thin volume

London

INTERNATIONAL stocks gained ground in response to Wall Street's strength on Friday, but saw some downward pressure at New York's subdued opening yesterday.

Ameribank International jumped on continued bid speculation, as did several consumer stocks. In chemicals, Glaxo and ICI were both sought, in spite of the firm's loss of 8.5 to 1,882.2 on turnover of 381.7m shares.

company Ctr up L56 at L5.88, hitting L5,720 after hours. FRANKFURT had another deadlier quiet day, with a few shares moving quite sharply on one or two orders.

The FAZ index was 4.4 higher at 490.38 at mid-session, while the DAX real-time index closed 8.17 better at 1,189.89. Volume was a very thin DM1,990m worth of West German shares nationally.

ASIA PACIFIC

Late selling leaves Nikkei short of record

Tokyo

DEMAND for large-capital stocks and high-technology issues gathered momentum in Tokyo yesterday, with share prices touching a new high before losing ground towards the close.

Large-capital stocks performed strongly in early trading. Nippon Steel topped the active list with 104.8m shares changing hands. The issue rose Y12 to Y784 at one stage, but came under profit-taking pressure to end Y8 lower at Y764.

The cash market turned easier as the September contract declined on the futures market towards the close. The yield on the benchmark 5.0 per cent government bond, maturing in December 1997, dipped to 4.890 per cent briefly, but ended at 4.915 per cent, unchanged from the previous week's close.

Turnover rose to 66.9m shares from 65m on Friday, with trading boosted also by previous gains in New York, a strong Tokyo and good corporate results. The session was extended by an hour because of a breakdown in the new computerised trading system.

The Nikkei average ended 126.57 higher at 28,226.31 after moving between a record high of 28,409.17 and a low of 28,234.26. The previous peak of 28,342 was reached on June 17. Volume totalled 928m shares compared with Friday's 1.1m and advances led declines by 491 to 356, with 178 issues unchanged.

High-technology stocks fell back at the close. Toshiba shed Y30 to Y1,170, Hitachi Y20 to Y2,010 and Mitsubishi Electric Y5 to Y900.

Leading spindle and machine manufacturer Nihon Spindle jumped Y90 to Y1,000 and Kinki Nippon Railway rose Y40 to Y1,100. Torishima Pump dropped Y70 to Y1,300.

AUSTRALIA was cheered by firmer bullion prices and equity gains in other markets and closed higher in light trading, with many institutions absent for a bank holiday.

New indices on emerging markets

THE WORLD'S emerging stock markets are attracting growing interest but have not been easy to track and compare in the past because local indices are calculated in different ways, writes Alison Matland.

Many of these markets - for example, South Korea and Taiwan - are not yet open to direct portfolio investment by foreigners, but specialist country funds are increasingly being set up to channel outside capital into developing countries and the trend in most cases is to reduce restrictions.

The price indices show changes in prices, adjusted for stock splits and other alterations to capitalisation that affect price per share.

The total return indices accommodate the same changes, as well as cash dividends and gains implicit in rights issues that are made below prevailing market prices. Such rights issues are a common way for developing countries to reward shareholders - the instant capital gains are often tax-free, while cash dividends are usually taxable.

Table with 10 columns: MARKET, Price (June '88), % Change on Dec '87, % Change on Dec '87. Rows include Latin America, Argentina, Brazil, Chile, Mexico, Asia, Korea, Malaysia, Taiwan, Thailand.

FT-ACTUARIES WORLD INDICES

Table with 10 columns: NATIONAL AND REGIONAL MARKETS, US Dollar Index, % Change, Pound Sterling Index, Local Currency Index, Gross Div. Yield, US Dollar Index, Pound Sterling Index, Local Currency Index, 1988 High, 1988 Low, Year ago (approx). Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, West Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. So. Af., World Ex. Japan.

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local). Copyright, The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd. 1987. Latest prices were unavailable for this edition.

Advertisement for Bankers Trust Company. Text: "Today, your securities have to swim in international waters. If your securities are going to glide smoothly through the world's markets, today you will need global support services delivered by an institution that is at home in those waters. For many trustees and paying agents, the world begins and ends with Eurobonds. Beyond that, it is all reefs and shoals. Bankers Trust has more on-the-spot expertise in multi-currency securities, in local payment practices, in the whole ocean of overseas complexities. And nobody handles them with a more relentless emphasis on quality. We have our own dedicated Corporate Trust and Agency groups in London, Luxembourg, New York, San Francisco and Hong Kong. And when you deal with Bankers Trust, you know you are dealing with a professional team of specialists. Today, we service over \$300 billion in securities in 43 countries. A call to Ed Greene on (01) 382 2855 may well make you want to add your securities to that total. With us to support you, you'll get along swimmingly." Logo: Bankers Trust Company. Corporate Trust and Agency Group: London Luxembourg New York San Francisco Hong Kong.